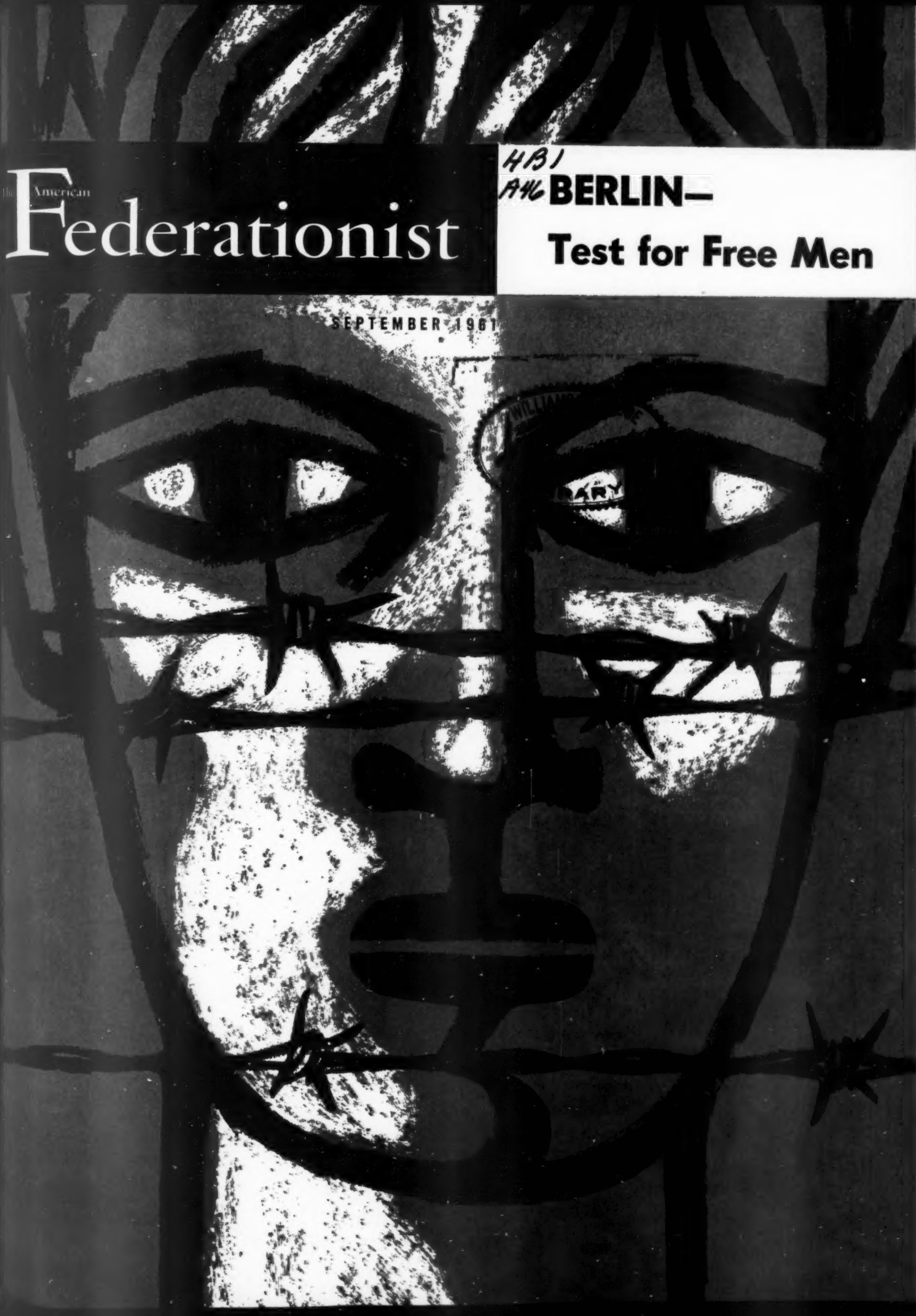
the American Federationist

BERLIN— Test for Free Men

SEPTEMBER 1961



American Federationist

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In this Issue

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Freshly-strung barbed wire embroiders Berlin's Brandenburg Gate.

AN EDITORIAL

Berlin—Test For Free Men

On a small island of democracy, surrounded by a sea of Communist armed might, 2.5 million people are living bravely, separated by only a few strands of barbed wire from the worst slave society the world has ever known.

They are the West Berliners, the men, women and little children on the very front line of the war between freedom and despotism.

They are protected, of course, by a few thousand armed soldiers, but their real defense is the solemn pledge of the United States of America.

The West Berliners are courageous and calm. They are confident, too. They know the day of craven surrender to dictators is over. At the price of millions of lives and suffering too horrible to capture in words, the democratic nations have learned that peace can't be bought by surrendering even a little piece of freedom to a power-hungry totalitarian.

That is the real story of Berlin—the story of free men who have made up their minds to never again be pushed around by a dictator.

It is ironic that Berlin should today be freedom's front line. Only a few short years ago another evil dictator reigned there and brought chaos to an entire generation.

But the free world has learned a lot since the days of Hitler. The most important lesson it learned is that no man is free unless all men are free; that free men cannot barter away any man's freedom to insure liberty for themselves.

Berlin is today more than just a symbol of democracy—important as it is in the

midst of Communist discontent and failure. It has rightly been called democracy's showcase—the one spot where East Berliners can see the material benefits of democratic freedom in stark contrast to their drab, dismal, desolate life as slaves of Communism.

It is more than the hatchway to freedom through which millions have crawled out of the Communist trap. They are the millions who are the most confirmed anti-Communists in the world—for the man who hates Communism most is the man who knows it best, the man who escaped.

In a real sense, the free world has already won the battle of Berlin. We won it on August 13, 1961—the day the Communists sealed that escape hatch with barbed wire, proving only their guns will keep those who have known Communism's "blessings" inside this "workers' paradise." There will be hours of tension, weeks of nerve-wracking maneuvers and months of danger ahead. The possibility of a fighting war will exist for every moment.

But the first and most important test has been met. The Kremlin knows now it has but two choices—to fight or back down.

And the world knows that behind the new concrete walls men yearn for freedom so desperately that the Kremlin has had to resort to the most extreme measures to keep them in bondage.

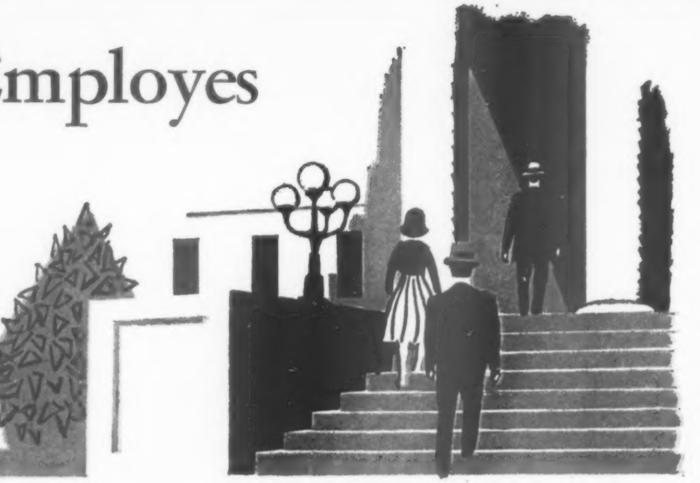
The President of the United States has pledged America's resources to the defense of the West Berliners.

It is our destiny to lead the free world in this hour of crisis. And the President knows that in this hour of test he leads a united, determined people—a people who know what human freedom really means.

Geo. Meany

East German workmen building barricade across Berlin's Potzdamer Platz.

Government Employes And Unions



by David L. Perlman

There are powerfully convincing reasons why one of labor's major organizing targets is in the field of public employment—among the 8.7 million men and women who work for federal, state or local government agencies.

To begin with, public employment is a field in which the work force has been steadily rising.

Two recessions in three years have left their sting on both employment and union membership in most industries. But the same recessions swirled harmlessly around government workers. During the height of the 1960-61 slump, the number of state and local employes actually increased by 310,000. The federal government, with its 2.2 million workers, remains the nation's largest single employer.

Not all of this vast civil service army is immediately organizable. It will be many years before effective organization reaches into all of the nation's towns and hamlets. But there has been sufficient progress in areas where there are large concentrations of government workers to demonstrate that public employes can be organized.

This is a field where, for the most part, workers can join a union without the risk of getting fired on a trumped up charge. It is a field where union organizers are not going to be run out of town or kicked off company property by plant guards. It is a field where management hostility in some localities is balanced by other communities where public officials are courting labor support.

In recent years, there have been encouraging signs of growth in public employe unionism, both among unions made up exclusively of government workers and among those whose membership base is largely in private industry.

The Letter Carriers, Postal Clerks and Fire Fighters have effectively organized their jurisdictions, except in an occasional locality where an unaffiliated organization has established roots.

In the postal service, nine out of ten employes belong to a union—an amazing accomplishment in the absence of any real form of collective bargaining or even dues checkoff. Unions of transit employes have generally retained their strength as more and more local transit systems have come under public ownership.

In both the federal and municipal fields, a number of craft unions have substantial groups of members, although the pattern of organization is spotty. The Machinists have a vigorous nationwide district made up of federal workers which is particularly strong at Navy installations.

The Building Service Employes have a separate division to service locals of municipal workers. An active, aggressive organizing program has made the BSEIU one of the principal unions in the public employe field. School custodial employes, many hospital attendants and even a goodly number of white collar workers are in BSEIU locals.

The Government Printing Office is a long established stronghold of unionism in the federal service, with its own unique form of collective bargaining in which a congressional committee serves as a final arbitration board. The semi-autonomous Tennessee Valley Authority has set a yardstick for genuine collective bargaining with its employes.

Teachers have made headway in bringing an invigorating breath of trade unionism into a field long typified by threadbare "professionalism."

This brings us to the two principal general unions of public workers—the State, County & Muncipal Employes (AFSCME) and the American Federation of Government Employes (AFGE).

The AFGE grew out of a split in the ranks of the National Federation of Federal Employes, which had been chartered by the American Federation of Labor in 1917. The NFFE withdrew from the AFL in a 1931 jurisdictional dispute and locals opposing the disaffiliation formed the nucleus of the AFGE.

During the New Deal era, when millions of workers in private industry were flocking into unions, the AFGE was rocked by internal fighting and filled an uneasy middle ground between the still-dominant NFFE and the somewhat shrilly militant United Fed-

DAVID L. PERLMAN is an assistant editor, AFL-CIO News.

eral Workers, a group which after several mergers and name-changes was later ousted from the CIO on charges of Communist domination.

While the in-fighting did not disappear in the post-war era, the AFGE has gradually but steadily moved ahead. Its membership during the past three years has risen by 20,000 to a total of 80,000. It had long since surpassed the NFFE in influence with the all-important congressional committees with which government employes in effect negotiate and it has now admittedly outdistanced its chief rival in membership.

Despite these gains, its potential has been barely tapped; its strongholds remain islands of unionism in a vast open shop.

The State, County & Municipal Employes—for a brief period in 1935-36 an autonomous branch of the AFGE—also had its troubles with a left-wing splitoff early in its history. But it had grown to more than 70,000 members by the time of its first postwar convention; at the time of the AFL-CIO merger it had reached the 100,000 mark.

A big spurt followed amalgamation with the 30,000-member Government & Civic Workers Organizing Committee of the former CIO as rivalries were swept aside and the manpower resources of the merged labor movement brought additional organizers into the field. Membership shot up past the 200,000 mark. While the organizing pace has eased off somewhat, new benchmarks have been achieved in the collective bargaining area, including a modified union shop covering most Philadelphia city employes.

It is in the collective bargaining sector that one finds the biggest difference between organizing in the federal service and in the municipal area.

Not without a struggle to be sure, the AFSCME now has several hundred written agreements and even more checkoff provisions.

Operating under paternal federal civil service regulations, the AFGE has written agreements only in two isolated jurisdictions—the Interior Department's Alaska Railroad and the Bonneville Power Administration. It has no checkoff provisions.

On the other hand, the federal government is a single employer. While a union may have to deal with dozens of federal agencies, virtually all of them are headquartered in Washington, D. C. There is also a more recognizable direct common interest among scattered groups of federal employes whose working conditions are largely determined by Congress rather than among scattered groups of city and state employes which bargain at a local level with a diversity of governmental bodies.

While most people tend to think of the typical government employe as a clerk, the fact is only a minority of public employes are in office or professional jobs—and that minority is the least organized segment in both federal and local government.

Organizers for both unions quickly discovered the manual worker was vastly more receptive to unionism than the typist, IBM operator or accountant. Unions have demonstrated they can organize a significant portion of the blue collar workers in the public service.

Unions have also achieved strong organization among groups of primarily male employes doing similar work in an occupation which has very limited prospects for promotion, such as hospital attendants. Although in a higher pay bracket, postal workers and fire fighters are examples of groups where an individual's opportunity for a higher standard of living depends largely on group advancement, such as a general pay raise.

Conditions in government—as in private industry—have proven least favorable to effective organizing where there is a highly transient workforce of younger women in clerical jobs. Important influences include the home background of employes and the attitude of supervisors.

Office workers from strongly unionized communities usually do not share the unfavorable stereotype of unions which is frequently found among persons whose only concept of trade unionism is drawn from the daily newspapers.

Among a white collar group lacking a background in unionism, even a mild frown by management can often stop a union organizing drive in its tracks. On the other hand, organizing "from the top," with the

Government workers jam U.S. Senate caucus room as unions testify in favor of recognition law.

Employes of executive agencies cross Pennsylvania Ave. in downtown Washington, D.C.

encouragement of agency heads who consider a representative union a desirable medium of two-way communication, has broken the white collar taboo.

The risk of company unionism certainly exists in such situations, but in practice it has not developed into a serious problem.

In the federal service, for example, major decisions affecting conditions of employment are made by Congress, the White House and the Civil Service Commission—areas far removed from supervisory responsibility. Grievance handling can be a delicate area, but again the risk of conflict of interest has turned out to be more theoretical than actual.

President James A. Campbell of the Government Employes pinpointed the problem of management's attitude toward union organizing in an address to a conference of federal personnel directors. He said in part:

"I call on top management, I call on personnel directors, to discard the policy of 'neutralism' toward unions.

"By 'neutralism' I refer to the policy of informing employes that they are free to join or refrain from joining employe organizations—and doing nothing to encourage or discourage such membership. . . .

"It is not because we think personnel directors should organize government employes for us, but because we believe that the cloak of 'neutrality' bends the pendulum the other way, that we ask you to tell your employes what most of you accept as the truth—that unions are good for the government service and the greater the membership and participation, the more helpful they can be in establishing the two-way communication which is essential to any successful personnel program."

But even without a formal endorsement from the boss, organizing conditions in the federal service are—at least on the surface—far removed from the turbulence of private industry.

Where else but in the federal government would a personnel director greet a union organizer cordially and, after a bit of friendly negotiation, agree to:

- Distribute notices of a union meeting and sometimes union literature as well to all employes through official channels of the agency.
- Provide the organizer with a room where he can meet with employes individually or in groups and sometimes even authorize employes to take time off from work to attend a meeting.
- Permit a union display or literature table to be set up in the cafeteria or lobby and authorize union posters to be placed on bulletin boards.

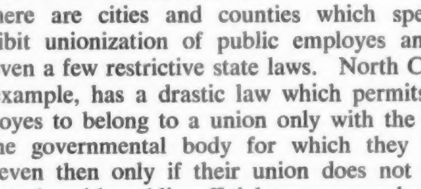
Sometimes an organizer will even get permission to make the rounds of offices and shops, speaking to groups of employes during working hours.

Sounds good, doesn't it? But one organizer, a veteran of some rugged campaigns in private industry, after his first delighted incredulity at the facilities provided him, later came to describe his reception by personnel directors as "the slippery red carpet treatment" because there is no written contract, no exclusive bargaining rights. The basic appeal is still either altruistic or long-range self-interest.

In some areas, the State, County & Municipal Employes have a harder row to hoe than their counterparts in the federal service.

There are cities and counties which specifically prohibit unionization of public employes and there are even a few restrictive state laws. North Carolina, for example, has a drastic law which permits public employes to belong to a union only with the consent of the governmental body for which they work—and even then only if their union does not attempt to bargain with public officials on wages, hours and working conditions! Fire fighters and policemen in North Carolina are banned outright from joining any trade union.

More common are the cases where city councils



and county governments insist they don't have the power to negotiate agreements.

There is considerable competition, too, from unaffiliated city and state employe organizations. While some of these groups are an ineffectual cross between a company union and a recreation association, several have give competition to AFL-CIO organizations.

There is some jurisdictional conflict in both the federal and municipal fields since virtually every craft has some members in the public service. The unorganized potential is great enough, however, to minimize the areas of inter-union competition.

Despite these obstacles, the AFSCME has firmly established itself in most of the nation's larger cities and in a growing number of smaller communities.

Checkoff agreements are commonplace, written contracts are no longer the exception and more than 100 AFSCME agreements provide some form of union security—from a modified maintenance of membership clause to the union shop with preferential hiring for union members.

President Kennedy several months ago named a task force of top government officials—headed by Labor Secretary Arthur J. Goldberg—to come up with recommendations for a greater degree of union recognition in the federal civil service. The result could be the type of affirmative policy needed to bring about an effective nationwide organizing drive—comparable to the situation in private industry after passage of the Wagner Act.

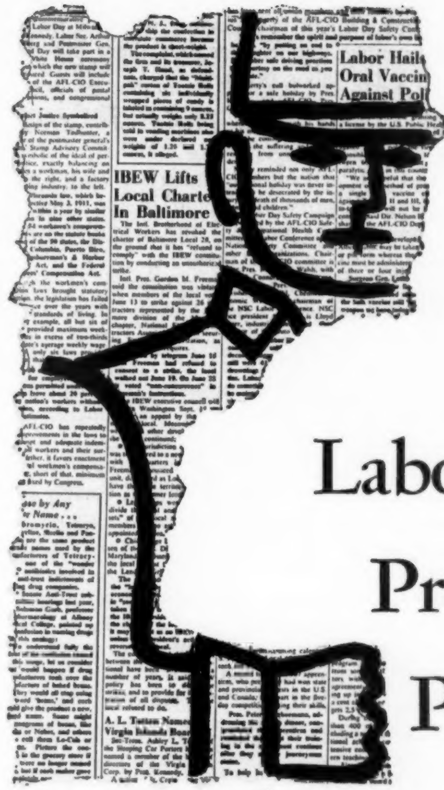
Unions in the public service can point proudly and accurately to an impressive record of accomplishment. In the city, state and county fields, they have pressed with vigor and imagination to meet the needs of the groups they represent—and the groups they seek to represent.

Pay raises, pension plans, holiday pay, reduction of hours, overtime, job security during changes of administration and civil service protection against political kickbacks are among the demonstrable accomplishments of union activity.

In the federal field, the legislative successes of the AFL-CIO Government Employes' Council and its affiliates are in a class by themselves. Two dramatic examples tell the story:

- It is almost impossible to get a majority of the House of Representatives to sign a discharge petition to pry a bill out of an unfriendly legislative committee or past a Rules Committee bottleneck. Impossible except for the postal unions which five times in recent years accomplished this feat.
- During the eight years of the Eisenhower Administration, only two presidential vetoes were overriden. One of these was a postal pay raise bill.

This isn't the first article to be written about the potential for organizing public employes, nor will it be the last. Ten years from now there will still be an unorganized potential. But all signs point to the continued growth of unionism among government workers. As collective bargaining gradually replaces paternalism, the trend can be expected to accelerate.



Labor's Press: Past And Present

by Harry Conn

The late Professor John R. Commons of the University of Wisconsin, probably America's foremost labor historian, made this observation of the labor press in 1940:

"In the past 50 years there have appeared numerous and voluminous governmental documents giving with minute statistical care the changing conditions of labor and the outstanding events of American labor history.

"But it is upon the labor press that the historian has to depend for a real insight into what makes the labor movement and the special institutions which have been its product."

It was only too clear to Professor Commons that the union movement as painted by the commercial press—and by government documents as well—provided only the most superficial and frequently dis-

HARRY CONN, co-editor of Press Associates, Inc., has written for the labor press for many years from Washington, D. C.

torted picture of an essential segment of the American economy. Today, some 20 years later, there has been considerable improvement in reporting of labor news by many commercial publications but there still is no substitute for the labor press.

Commons was an avid reader of labor publications. As much as any other single factor, this accounted for his incisive, analytical insight into trade unionism. His multi-volume "History of Labour in the United States," as a result, remains today the definitive history of trade unionism in this country.

The labor historian, with a small group of collaborators, rounded up the earliest known labor publications to provide depth to his writings. He recalled an associate, Professor Richard T. Ely, "knew of the existence of a number of labor periodicals which appeared as early as the Twenties of the Nineteenth Century. But ours," he wrote, "was the thrill of discovering the file of the paper, The Man of the Middle Thirties, in the catacombs of the historical society of an eastern state and of The Workingman's Advocate, the pioneer in the free homestead propaganda, in the attic of a farmhouse in Kansas."

In 1961 the labor press is an established institution with some 130 years of history. It was born, as was the American trade union movement, in a spirit of protest. It grew and it flourished as the labor movement grew and flourished and its period of decline paralleled the decline in the fortunes of trade unionism.

The labor press reaches the homes of most of the 17 million members of U.S. unions today. Among the 800 or so regularly published organs are some of the most professionally edited, typographically attractive newspapers and magazines. But it has its poor cousins, too—inept, financially starved sheets that rarely attract the reader's attention.

With attendance at union meetings frequently at low ebb, the labor press is the surest and most effective medium for reaching the membership. But good union publications do not just happen and it is fortunate so many union officials recognize their responsibility toward making the best possible use of them.

The union publication must be unusual today if it is to achieve readership. Television, radio, movies, magazines, the daily press, are all vying for the attention of the union member. None of these carries the trade union message; many of them are bluntly anti-union.

The growth and development of the labor press can be assessed through a review of the many publications that have been preserved. It can be seen also in directories such as one published by the AFL in 1907 and one edited by Commons in 1940 and, in the current period, the directories issued by the Department of Labor and the International Labor Press Association.

Commons, in an introduction to his 1940 directory, commented: "I can well visualize my successors at some future date treasuring this directory of the labor press of 1940 as an aid in their efforts, obviating the need for the toilsome search conducted by my associates and myself nearly four decades ago."

In this sense, Commons would be enthused by an entirely new presentation of the labor press two decades later. The recent publication of the 350-page "Labor's Story—As Reported by the American Labor Press" makes even more accessible that in-depth reporting of the modern trade union movement.

"Labor's Story" is an unusual anthology of the labor press, consisting of 305 news stories, articles, editorials and feature stories from 85 leading trade union publications. Its contents were selected by three representative labor editors: Gordon Cole, editor of The Machinist; Leon Stein, editor of ILGWU's Justice and Norman Sobol, editor of Local 1-S News, a newspaper published by a New York local union affiliate of the Retail, Wholesale and Department Store Union.

The inner-workings, the technical operations, the human dynamics and philosophies of American trade unionism are presented here, selection by selection, from the union viewpoint. If one ever had the misconception that unionism was confined to merely wages, hours and working conditions, the table of contents of this anthology would quickly disabuse him.

Under the section, Trade Unions in Action, we have case studies of collective bargaining, the many-front fights for justice on the job, organizing, apprenticeship and vocational education, safety, productivity and technology and unemployment.

Serving the Family and Community is another major heading. Under this are found articles on community services, consumer problems, health and medicine, retirement, education and housing.

Labor publications have always been concerned with the social and economic problems confronting the nation. Now, more than ever, union members realize they cannot separate their personal problems on the job from the great national issues.

The editors of "Labor's Story" comment: "Union members have acquired some understanding of the economic forces in their lives. They know many of these forces—depressions, competition, technological change, living costs, the quality of our public schools, repressive legislation—cannot be controlled through contract negotiations on a shop-by-shop or even on an industry-wide basis.

"For that reason, union members have become more and more conscious of the importance of electing to public office liberal, fair-minded men and women, men committed to working for the greatest good for the greatest number."

A number of articles are devoted to political education and political action, to civil liberties and a national view on such issues as strikes, inflation, labor legislation, the strength of organized labor and ethics and ideals.

Organized labor from its inception has been foremost in recognizing the nation is not an island unto itself. It is in a world rapidly diminishing in size due to modern means of communications and transportation and a world in which free American labor has played a growing role in the fight against totalitarianism, whether Fascist or Communist.

The precise nature of labor's role on the world scene is graphically described in the section "Labor in a World of Crisis." Many of the articles were written from many spots around the globe by labor editors who reported firsthand on developments which have had an impact on American labor, the nation and the fight for a free world.

"The American unionist is no stranger to poverty or workers' struggles for dignity and a decent living," the editors note. "He speaks the common vocabulary of all working people, whatever their language, culture, garments, climate or habitat.

"Today, the union card is a unique passport in this age of revolution and social change. The articles and news stories illustrate how valuable the union card—and the experience it represents—symbolizes constructive alternatives to imperialism and its programs of infiltration and conquest."

"Labor's Story" is a book of many authors, labor editors and writers. Their knowledge and understanding of the world in which we live is wide-ranging. This is so for the interests and activities of organized labor are all-encompassing and these are the witnesses and participants who report them from the union viewpoint.

"Labor's Story" not only provides the union member with a comprehensive understanding of what his movement is all about but for the non-union member, who has a genuine interest in learning the truth about organized labor, it offers a rare opportunity to learn the full scope of union activity and viewpoint from some of the cream of the labor press.

The book is being released on the fiftieth anniversary of the old AFL International Labor Press of America, the predecessor of the AFL-CIO International Labor Press Association. Both the old and new ILPAs were made up of the editors of labor publications.

The stature of labor editors and the profound influence of the labor press on the development of

A few of the earliest labor newspapers: the Union Advocate, 1887; American Labor, 1847; The Workingman's Advocate, 1830; The National Trades' Union, 1834 and the National Laborer, 1836.

American society might be measured by reviewing their role over the course of the nation's industrial history.

The year was 1827. The place was Philadelphia. In the spring a pamphlet was published and given extensive circulation. It contained "a general view of the evils under which the working people are laboring and a plan for their efficient removal."

The pamphlet then issued a clarion call for labor political action:

"It is true in this favored nation we enjoy the inestimable blessings of 'universal suffrage' and constituting, as we do everywhere, a very great majority, we have the power to choose our legislators but . . . this blessing . . . can be of no further benefit to us than as we possess sufficient knowledge to make proper use of it.

"It will be an instrument of unlimited good to the great mass of the people when they possess that degree of intelligence which will enable them to direct it for their own benefits; but at present this very blessing is suffered, through our want of information, to be directed against our prosperity and welfare by individuals whose interest is at variance with ours."

This pamphlet then urged the establishment in every city and town in the United States of a free press and a library with reading and lecturing or debating rooms. It asked that these be open every evening and "on all days of relaxation from business."

A direct result of this pamphlet was the formation of a Mechanics' Library Committee. It was this committee that founded the Mechanics' Free Press, the first labor paper of which any copy remains preserved today.

There is no known text of the famed pamphlet in existence. However, in 1828 the Mechanics' Free Press published extracts from it.

Thus the labor press was founded because of a "want of information" that was reliable and provided by those dedicated to the best interests of the workingman.

It is believed the workingmen of Philadelphia were greatly stimulated by the expressions in the pamphlet. Within several weeks after the appearance of the publication some 800 journeymen carpenters went on strike for a 10-hour day. Out of this strike grew the first American labor movement, the Mechanics Union of Trade Associations.

With the ice finally broken, trade union publications began to crop up in numerous industrial areas. Between 1830 and 1837 trade union activity increased and, too, the labor press. Historian Commons secured a list of 74 labor papers published during this period. Of these, he says, 22 are doubtful. Some were established papers that took up the trade union cause while others were imposters designed to divide workingmen.

He concluded there were 52 true labor papers during this period but copies of many of them have been lost. In addition to Philadelphia, prominent papers were published in New York, Boston, Baltimore, Washington and in other parts of the country from Portland, Me., to Cincinnati to Charleston, S. C.

Although it may come as a rude shock to those who complain that modern-day unionism has strayed far from its original moorings of wages, hours and working conditions, these early labor editors were as vitally interested in the great issues of the day as are unionists today. Following are some key issues for which the labor editors of the 1830s crusaded:

—Free public schools supported by taxes.
—The ending of imprisonment for debt.
—Abolition of the compulsory militia system.
—Equal taxation.
—Less expensive system of legal procedures.
—No legislation on religion.
—Direct election of public officials.
—Opposition to banks and other chartered monopolies.

For many of these crusades the modern-day trade unionist can feel some genuine pride. And, if these early labor editors were able to look back from this point in time, they probably would be both pleased and startled over how many of their objectives have been achieved.

The demands for free public education filled the pages of the labor papers of this period. Unionists wanted free public schools without the taint of charity. The Workingmen's Advocate reported in 1830 that a committee had been appointed "to ascertain the state of public instruction in Pennsylvania and to

"Labor's Story" describes functions and range of the modern labor press.

digest and propose such improvements in education as may be deemed essential to the intellectual and moral prosperity of the people."

The panic of 1837, for all practical purposes, crushed the labor movement out of existence. With the unions went their official organs and historians report the loss of these newspapers left the period from 1837 to 1839 in relative obscurity.

It was not until 1843 or 1844 that a new crop of labor papers appeared. The New York Workingmen's Advocate was revived. The Operative was started in Manchester, New Hampshire, the Mechanic in Fall River, Massachusetts and the Laborer in Boston, to name a few.

Through the 1840s the labor press continued to grow. A number of foreign language labor papers was founded, such as the Republik der Arbeiter for German unionists. Socialist and Marxist labor publications also sprung up.

In 1853 the unions of Baltimore, thoroughly disillusioned by the dailies in the city, contributed their funds to start a labor daily called the Daily Press. Very soon the editor, Robert J. Bruce, became a candidate for Congress. The columns of the paper were used to further his candidacy and the unions stopped publication.

In the period just prior to the Civil War the American labor press was established on a lasting foundation. By the period 1843 to 1873 no less than 120 daily, weekly and monthly labor papers appeared.

Early labor editors frequently had unusual education and skills.

A case in point is Robert MacFarlane who came to this country in 1836 from Scotland at 21. He was a dyer but when he settled in Albany, New York, he became editor of the New York State Mechanic and later of the Mechanics' Mirror. In 1848 he was appointed editor of Scientific American, a post he held for 17 years. He returned to his old trade of dyeing, retiring in 1874. He died in Brooklyn in 1883.

One of the best known early labor newspapers, which left a noticeable stamp on its time, was Fincher's Trades Review. It was founded in 1863 by Jonathan C. Fincher, secretary of the Machinists and Blacksmiths—one of the most important unions of its day.

By modern standards Fincher's publication was not a big paper but it was the first truly national paper. It began with a circulation of 5,000 which built up to 11,000, circulating in 31 of the 36 states. All of the important labor leaders of the period contributed to it. To this day its columns are quoted as historical accounts of the labor movement of its time.

Of all those professional newspapermen who forsook the commercial publications to become labor editors, none was held more warmly than John Swinton. Originally a printer's devil before becoming a newspaperman, the Scotland-born Swinton was deeply sympathetic to the cause of trade unionism. Even though he became chief of the editorial staff of The New York Times just after the Civil War and later editor of The New York Sun he was a popular speaker at labor rallies.

An outstanding event in his life was a banquet in his honor given by newspapermen in 1880. Here Swinton declared there was no such thing as an independent press, that no newspaperman employed by the regular newspapers dared write his honest opinions.

"We are the tools and vassals of rich men behind the scenes," he told his audience. "We are the jumping jacks; they pull the strings and we dance. Our talents, our possibilities and our lives are all the property of other men. We are intellectual prostitutes."

Three years later Swinton retired from the New York Sun and started his own labor paper, called John Swinton's Paper. It was a four-page weekly labor journal and immediately attracted wide attention through its brilliant and critical writing. Nevertheless, it could not get sufficient financial support and four years later went out of existence.

In 1894 he published a book, "Striking for Life," a work on the labor movement which won him even more affection among working people. He died in 1901 at a time when the labor movement was still weak but was beginning to fight its way upward thanks in no small measure to Swinton's writings.

At a later date, Samuel Gompers estimated that in 1878 the entire trade union movement had numbered about 50,000. This was the period of Swinton's greatest activity and it was a difficult time for the labor press.

Two international union publications, however, had been started in the more hopeful 1860s and they continued down to the present day. These were the Locomotive Engineers Journal, now a newspaper and the International Molders Journal. In the 1870s two other present-day organs got their start: the Journal of Brotherhood of Firemen and Engineermen, and the Cigar Makers Journal. Both are now newspapers. Eugene V. Debs edited the former and Samuel Gompers edited the latter publication.

The editors of these two journals made a deep imprint on the entire labor movement. Debs, of course, was the perennial Socialist candidate for president, a fact which overshadowed his contributions as a writer and editor. He was not a professional writer. In fact, his biographers say he spent hours mulling over what he wanted to say and writing was difficult for him. But when Debs knew what he wanted to say he could write with a great passion.

He left little doubt, for example, of what he thought about the strikebreaking activities of the early-day Pinkerton detectives. He wrote:

"They are distorted, deformed, hideous mentally and morally. Their trade is treason, their breath pollution and yet the official of the C. B. & O. (Chicago, Burlington & Quincy Railroad) formed a conspiracy with these professional perjurers, cut-throats and murderers to overcome a strike, the result of flagrant injustice."

Debs left his job as a fireman to become assistant editor of his union magazine out of loyalty to the Firemen. Later he became editor and secretary-treasurer and one of the most dynamic union careers was well underway. Later, of course, Debs became nationally known as the top Socialist spokesman of his time. He was the first union editor to carry the union label on his publication and he covered many issues in his publications, fighting injustice wherever he found it.

Samuel Gompers, of course, will always be remembered as the founding president of the former American Federation of Labor and possibly the outstanding labor leader of American history. But he made a decisive mark, too, as a labor editor. He was editor of the first official publication of the AFL, The Union Advocate, published from June to December in 1887.

It was as editor of the American Federationist that Gompers became widely quoted as a labor writer. His editorials, which covered a wide area of labor thinking, were later published in pamphlet form. What was probably his most famous editorial, "Labor's Political Banner Unfurled," laid down what is still trade union political philosophy:

"Stand faithfully by our friends and elect them. Oppose our enemies and defeat them; whether they be candidate for president, for Congress or other offices; whether executive, legislative or judicial."

Other labor editors had a tremendous influence on their times. There was Oscar Ameringer who from the turn of the century until his death in 1943 wrote with a sense of humor and understanding that attracted wide notice. Frequently he wrote under the name of Adam Coaldigger when editing the Illinois Miner for the United Mine Workers.

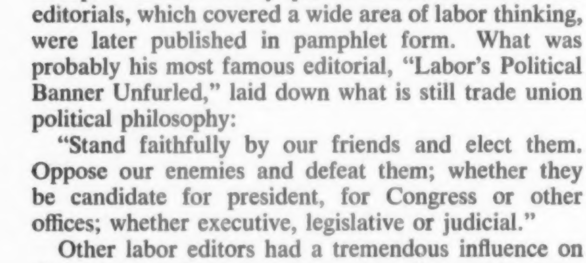
No student of labor history will forget such names as the late Charles Ervin of the Clothing Workers' Advance, Ed Keating of Labor and Max Danish of the Ladies' Garment Workers' Justice. The list is far too long to complete here.

Possibly one of the greatest tributes to the labor press came last December when the ILPA convention met in Detroit. President-elect John F. Kennedy wired the labor editors:

"I have had the opportunity of reviewing a number of union publications and I am convinced that the astute handling of the election issues brought new understanding of their great significance to millions of union members across the land. This could, in an important measure, explain the success of trade union political action this year."

Labor editors are not deluding themselves that they are providing the ultimate answer in union journalism at the present time. Standards are improving, editorial competence is rising, but the challenges are reaching new heights, too.

The ultimate responsibility, perhaps, rests upon the elected union leadership in continuing to supply and extend the resources through which the labor press can provide the membership with an accounting of the operations of their unions and clarity and understanding of the crucial issues of our time.



The Debt-Pool Sharks

by Leo Perlis

Put yourself in the place of a man who has just added up the figures for the fifth time with the same sad results. A monthly payment of $95 is owed on the car. Another $56 a month is due a furniture store. And there's a $38 monthly bill for clothing. All told, your total debt is just under $2,000. That's not counting normal living costs for such things as food and rent. On your take-home pay of $400 a month, you simply can't make ends meet.

You turn away from the figures in disgust and pick up the evening paper to get your mind off your troubles. As if intended just for you the following words leap from the page:

GET OUT OF DEBT!
Restore your credit without a loan.
We can help you even if you've been turned down by everyone else.

If you fall for this come-on, as thousands of overburdened debtors already have, you will find yourself in the clutches of what the National Legal Aid Association has termed "the meanest racket out." A smooth-talking "debt adjuster" will sit down with you for a long, seemingly scientific survey and analy-

LEO PERLIS is director, AFL-CIO Community Service Activities.

sis of your credit picture. Then he'll come up with what he promises is a sure-fire cure. You must agree to turn over to the debt adjuster a certain sum every two weeks or so. In turn he will contact your creditors and work out an arrangement with them for paying your bills. To perform this service, the debt adjuster will charge you 20 to 25 percent of your debt.

At best, if the plan works, you will have paid about $2,500 to get rid of your $2,000 debt. More than likely, if you haven't been able to make your money go around, the debt adjuster won't be able to either. After a few weeks you'll discover yourself just about where you started—for the adjuster will have pocketed most of your first payments to him as his fee, payable in advance!

Even that would not be as bad as what actually happened to a Philadelphia postal employe who owed $2,500. A debt pooling company in that city agreed to relieve him of all debt worries for a mere $500. The debtor arranged to pay the company $50 every two weeks until his $3,000 was paid off.

Six weeks later, after the postal employe had paid in $150, a finance company came and took away his car. Angry and discouraged, he tried to withdraw from his deal with the debt pooling company. He could get out, they said, but it would still cost him $500.

The debtor then learned a jeweler to whom he was supposed to be paying $24 a month had not been paid by the debt adjuster. When he complained again, the firm said its books were being checked because an employe had absconded. When another creditor, a bank, reported its payments were not being met, he got new excuses from the debt pooler.

This time the postal employe had had enough. He went to the Legal Aid Society of Philadelphia—and discovered 70 others complaining against the company. His grim comment: "It cost me $500 to find out I could handle my debts better than they could."

The abuses of debt adjusting, or "pro-rating," "debt-lumping" or "debt-pooling" as it is sometimes called, have been condemned by the National Legal Aid Association and the Credit Union National Association. At a time when nearly 350 adjustment firms were in business throughout the country, an executive vice president of the National Association of Better Business Bureaus commented, "these operations are well on their way to becoming a national problem." And an official publication of the American Bar Association, after examining a typical situation, remarked dryly, "the only result accomplished for the debtor is the addition of another creditor, namely, the debt pooler himself."

Because the debt adjustment racket has hit especially hard at the working people of the country, it has been a matter of particular concern to the AFL-CIO. At its meeting in February 1961 the federation's Executive Council declared flatly "the debt adjustment business, regulated or unregulated, is not economically or socially desirable as a commercial activity and should be eliminated."

As a result of the alarms sounded by labor and other organizations, statutes outlawing the debt pooling business have been passed in 13 states. They include Florida, Georgia, Kansas, Maine, Massachusetts, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Virginia, West Virginia and Wyoming.

The business also has been regulated in California, Illinois and Oregon and, to a lesser extent, by outmoded provisions in Minnesota and Wisconsin. However, most observers agree regulation is not sufficient and that the best course is to prohibit outright a practice that seldom gives the promised relief and often victimizes the suffering debtor.

As Governor Averell Harriman said in 1956, when signing into law a bill forbidding debt pooling arrangements in New York State: "It appears that these practices are so common and widespread in the area affected that the only feasible way to control them is by prohibiting this type of business. . . . There is no absolute right to engage in a business that conflicts with the public interest. In my opinion 'budget planning,' as defined in this bill, is such a business."

Obviously, there remains a great need to inform debtors not only of the evils of debt pooling but also of the many reputable agencies available to provide them with assistance. Guidance in budget planning is obtainable through the non-profit consumer counseling program of the AFL-CIO Community Service Activities. In many cities throughout the country credit bureaus supply aid free or for a nominal charge. In some states, such as Ohio, arrangements for liquidating debts can be worked out through the courts. Debtors also have available the Wage Earner Plan provided by Chapter 13 of the Federal Bankruptcy Act. Lawyers are another reputable source of ready assistance.

Overburdened debtors may obtain loans to consolidate their debts through credit unions, small loan companies and other credit agencies at a reasonable, legally regulated rate of interest. Along with the loan these organizations are ordinarily happy to supply free budget counseling.

Budget planning, as distinguished from debt pooling, is to be encouraged. Wage earners can be taught to manage their financial affairs by such institutions as schools, unions and social agencies. This educational program properly includes an extensive study of various types of credit and the financial requirements of a family at various stages of its existence.

But for all practical purposes, as one of the oldest debt adjusters in the business has himself remarked, debt pooling could be wiped out overnight if consumers would strictly observe these simple rules:

- Rigidly control impulse buying.
- Shop carefully for the best buy.
- Don't sign any installment contract blindly.
- Keep a margin of safety. Anyone who mortgages his income 100 percent is headed for trouble.

New Trade Conditions Challenge U.S.

World-wide trade competition is challenging the U. S. position in international markets. Western European countries and Japan are back in world markets after recovering from the many years of war and devastation. Active competitors from old and new nations are vying for sales in the complex network of world trade.

The loosely flung charge that high wages are "pricing the U.S. out of the world market" is impairing America's competitive ability by masking the real problems. Despite evidence of its falsity, the claim persists in one form or another. A recent version contends that although U.S. wages have not risen too much in comparison with other countries, U.S. productivity has fallen behind so high wage costs per unit of output are responsible for competitive problems. Such lazy charges ignore the hard questions of the new race for world markets.

Government and many business sources support more logical views of America's trade position. The 1960-61 export performance has been excellent. A sharp rise in foreign sales of a wide variety of U.S. goods mocks the longstanding claim that the U.S. is out of world markets. To improve its sales further, however, America must begin extending its salesmanship, long-practiced at home but long-neglected elsewhere in the world.

Along with showing needs for stepped-up selling efforts, the evidence clears wages of blame for U.S. problems in world trade. International wage-price trends and cost-price comparisons with other countries fail to substantiate the charges that American workers have been impairing the U.S. world trade position. Serious analysis points to necessary and long overdue steps by business and government to actively engage in selling and trading in world markets. The time is now past when American industry can sell in international markets without effective competition in most products, as it did when the industrialized countries were devastated by war or were using old machinery.

Rising exports show the United States has been an active world competitor in 1960-61. As 1960 overall exports reached almost $20 billion—some $3 billion above the 1959 level—broad charges of "pricing ourselves out of the world market" seemed far-fetched. They sounded even weaker during 1961's first quarter as this rising trend continued, reaching a seasonally adjusted yearly rate of $20.4 billion, the highest level of exports since the first quarter of 1957, according to Foreign Commerce Weekly.

The trade surplus—the excess of exports over imports—rose to about $4.9 billion in 1960 and went up further to a yearly rate of $6.9 billion in 1961's first quarter. This trade surplus was the highest since 1957. The second quarter's trade surplus was at a yearly rate of $5.5 billion, still well above last year's level.

While the upsurge of 1960 and 1961 does not mean America's trade troubles are ended, it is scarcely the record of a nation whose prices have ruined its competitive standing. It also refutes the charges of 1958 and 1959, when trade surpluses were narrowing to $3.5 billion and $1.2 billion, respectively, that America was "pricing itself out of world markets."

More important than the overall increase in the trade surplus was the wide variety of exports in the 1960-61 upward trend. The First National City Bank Monthly Letter for July 1961 commented: "The recent upturn encompassed a broad range of goods" in contrast to the export rise in 1957 that was caused mostly by "extraordinary shipments of petroleum and coal" after the Suez crisis.

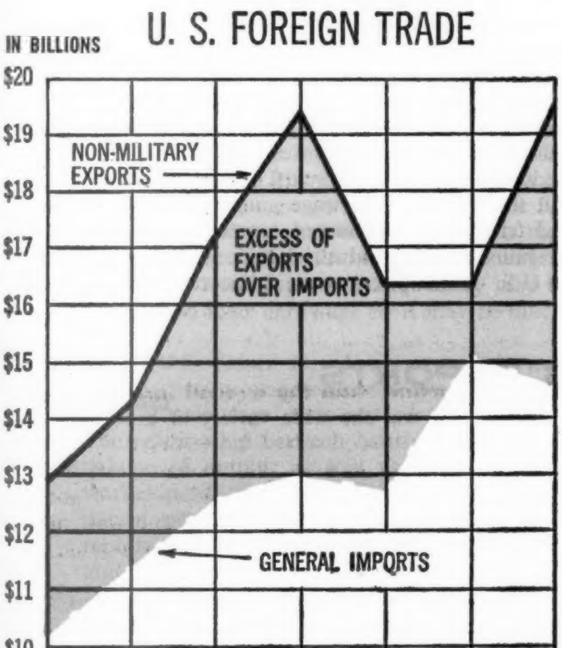
This "broad range" of exports in 1960-61 is identified more clearly by Department of Commerce reports. More than two-thirds of the increased export values came from higher exports of industrial and manufactured goods. Altogether, over two-thirds of the rise in exports between 1959 and 1960 can be traced to this source, termed by the Commerce Department "non-agricultural industrial materials" and "non-mili-

tary finished manufactures." This means less than one-third of the 1960 export value rise came from farm and food products.

Foreign Commerce Weekly reports an almost 40 percent rise in the export of non-agricultural industrial materials. "Well over two-thirds of this increase was in exports of semi-fabricated metals, which more than doubled to $1.5 billion last year. . . . Exports of copper tripled in 1960 and those of aluminum doubled. . . . Exports of crude and semi-manufactured chemicals rose by one-fifth to $1 billion. . . ." Much of the rest of the export increase in this group came from higher exports of synthetic rubber and fibers and wood pulp.

The export of finished manufactured goods showed a 13 percent rise in 1960, with one-third of the increase from the sale of machinery. Higher exports of paper and paper products, textiles, radio and TV apparatus, railway transportation equipment and scientific and professional instruments were reported in 1960.

This export rise and widening trade surplus will not necessarily continue in precisely the same form in the future. Some economists emphasize that such "special factors" as unusually large exports of aircraft and cotton in 1960 cannot be relied upon to repeat their performance in 1961 and some already have changed. These economists point to other "special factors" such as the 1960-61 boom in Europe which increased U.S. exports while the American recession reduced imports.



Source: U.S. Department of Commerce

While unusual items of the 1960-61 upsurge cannot be relied upon to continue and changing business conditions could increase U.S. imports and reduce foreign demand for U.S. exports, the broadbased 1960-61 export increase did not depend entirely on these "special factors."

Nor does anyone know what "special factors" may replace them in 1962 and 1963. The "special factors" in the 1957 U.S. export surge after the Suez crisis and the increase in 1960 were not easily predicted. We do know many U. S. products have been selling well abroad, though other sales have lagged. In late July, the National Foreign Trade Council, whose predictions had been less optimistic early this year, revised its estimates and saw a large 1961 export surplus.

Lagging sales of some items while other export sales are rising do not indicate an overall difficulty. Even the National Association of Manufacturers, in "Foreign Competition," a pamphlet published last year, recognizes individual items in themselves fail to prove a nation is not competing effectively. No nation can possibly compete successfully in all lines of goods. The test is how a nation does on balance. Here America's record in 1960-61 speaks for itself.

Nevertheless, in the face of increasingly tough competition in world markets, America should do better. Both business and government spokesmen admit far more American goods could be competing in world markets if we tried to sell them. The size of tomorrow's trade surplus may well depend on efforts by more and more businesses which have not yet made serious efforts to sell abroad.

Few Americans realize how few U.S. firms have been active exporters. As Secretary of Commerce Luther Hodges told the Advertising Council: "Today only about 12,000 companies, four percent of the 300,000-odd U.S. manufacturers, are actively exporting."

A recent Senate report by the special staff on the study of U.S. foreign commerce stated: "The real challenge is wrapped up in all of the other non-price elements of competability. In brief, this means that American business must make a first-class, determined effort to sell in overseas markets, an effort which, except for a relative handful of companies, has never been made before."

Business sources confirm this view. American industry, in the words of Elliot Haynes of Business International, cannot any longer continue "merely sending the goods down to the shore here in New York, or what have you, and kissing them goodbye."

The NAM's "Foreign Competition" pamphlet remarked: "Where American business is to compete with foreign producers in foreign markets, some special adaptation of product designs and of marketing methods is often necessary. American firms cannot simply sell off in foreign markets the surplus of products they have turned out for the American market and use haphazard, hastily contrived marketing methods."

The major trade challenge facing the U.S. is an attempt to get much more than four percent of U.S. manufacturing industries working on export sales. This means U.S. products cannot be made for just the U.S. market and leftovers sold abroad. A nation that prides itself on market research has not proved its knowledge of world market needs, nor its effort to sell abroad, when it fails to produce goods that meet foreign tastes and to engage in sales promotions specially geared for foreign markets.

Furthermore, as British economist Sir Donald MacDougall explains in "The Dollar Problem: A Reappraisal," if the U.S. "has been making products too elaborate, and therefore too expensive, for foreign needs, she has in a rather different sense been pricing herself out of world markets."

Last year, threatened by the balance of payments problem and encouraged by the Eisenhower Administration, American business began to get busy. The Kennedy Administration has aided these efforts further. However, it is not a one-shot effort that is needed but a longstanding ever-present challenge that must be met now and in the future.

Anti-labor slogans won't help this drive. The NAM admits, for example, the old simple slogan about "pricing ourselves out of the world market" is not accurate because, as its "Foreign Competition" pamphlet explains, "the relationship between American costs and foreign costs varies greatly from one industry to another." What it fails to emphasize is that some of U.S. industry bases prices on great overhead costs and large profit margins. Wage costs are not necessarily the major factor in U.S. or international pricing and competitive problems.

The steel industry, for example, has complained loud and long about high wages "pricing ourselves out of the world market." This is an industry whose prices are usually set by U.S. Steel, the dominant corporation, to begin producing profits when operating at only about 40 percent of its productive capacity.

A few years ago, Bethlehem Steel President Arthur Homer refused to give the Senate Subcommittee on Antitrust and Monopoly the cost data for his company. He declared, the subcommittee reported, "they were of no importance to the subcommittee because 'differences in costs as between various companies have very little, if any, effect on the prices at which products are sold.' " Uniform industry-wide prices, set by the major corporations in basic U.S. industries to produce large profits, cannot be charged off to wage costs.

Yet cost-wage-price relationships are important factors to be considered. How do U.S. wages enter into the competitive world picture?

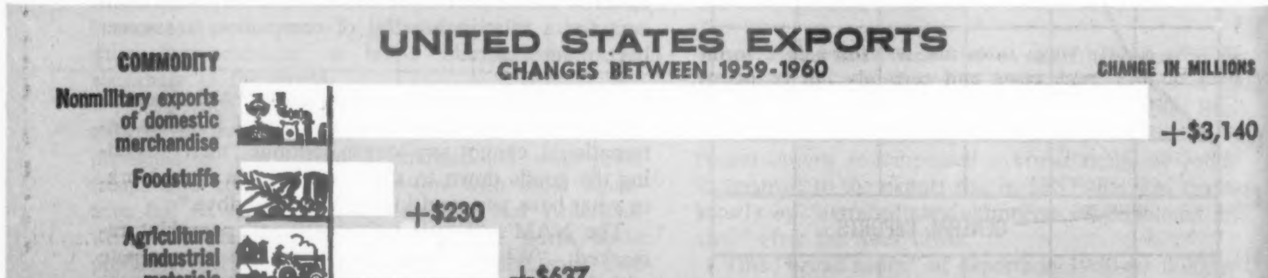
International Price and Wage Trends

Price and wage trends here and abroad do not support the view that high wages are the cause of competitive losses in world markets. It is true, as Business Week magazine has lamented, "The complexities of determining the competitiveness of a nation's products in world markets are among the most horrendous economists face." And as the recent Senate special staff report said, "We know a great deal about the complaints and too little about the facts."

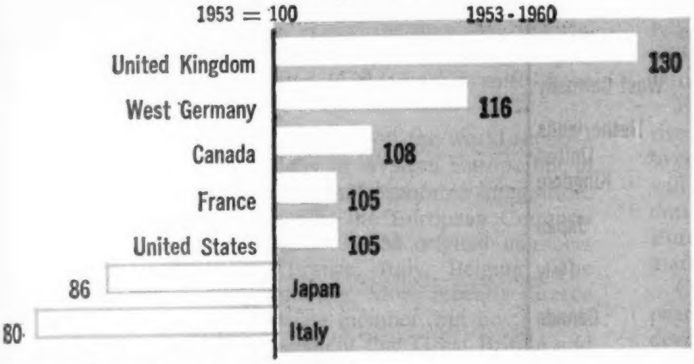
Most published reports of international wage and price trends vary because the statistics are difficult to compare. Different countries, with varying economies and dissimilar wage and price relationships, not to speak of different statistical methods, supply piles of data to national and international statistical agencies. Comparing one nation's statistics with those of another is often as valid as comparing apples and oranges. Though none of these international statistics anyone uses can be considered precise, data from the National Industrial Conference Board and other national and international groups disprove charges about American wages' role as a major issue in the problem of world market competition.

First of all, the pace of U.S. wage rises has lagged behind that of wage increases in competing industrialized countries in recent years. Though U.S. wages are still the highest, U.S. wage gains—even when wages and fringes are considered together—were outpaced by gains in other industrial nations during 1953-60.

U.S. retail prices were almost stationary from



Unit Wage Cost Index



Source: National Industrial Conference Board

1958 to 1960-61 and wholesale prices crept upward only slightly, despite wage rises throughout this period. For the whole period 1953-60, when compared with other nations, U.S. retail prices were slower paced. U.S. wholesale price indexes, while rising somewhat more rapidly until 1961, began to turn downward this year although some of our foreign competitors' indexes turned upward.

The hourly earnings and fringe benefits of workers are not the wage cost of a product. The wage cost is the combined result of the workers' hourly earnings and fringe benefits and the number of items produced in one hour—the wage cost of each item that is produced. What is important, therefore, is the labor cost per unit produced or the unit labor cost. Productive efficiency offsets high wage levels.

The Washington Post recently reported a U.S. businessman back from a trade mission to Japan as saying it would take 2,000 Japanese workers to do the work of 500 men in his Royal Oak, Michigan, machine tool plant—meaning the unit wage costs in the Michigan high wage plant are probably lower than in the Japanese low wage plant. In other specific industries or plants, of course, Japanese productivity may be much greater and their unit wage costs may be much lower.

What U.S. labor has long argued is now well-known: hourly wage rates are not the sole determinant of unit wage costs and certainly not of prices. The relationship between hourly wage rates and the volume of output, as well as the time spent by a worker producing each unit, is the valid gauge. If output per manhour or productivity is rising very rapidly, substantial wage increases would not raise unit wage costs.

The National Industrial Conference Board chart book, "The New Competition," shows that recent changes in U.S. unit wage costs do not compare unfavorably with those of many other nations.

Productivity of factory production and maintenance workers has gone up rapidly since 1953—so much so that unit wage costs, excluding non-payroll fringes, have gone down. But for salaried employes in manufacturing—executives, superviso cians, sales personnel and clerks, the figure costs have gone up very sharply since 1953.

Between 1953 and 1960, unit wage costs non-payroll fringes, such as pension plans, almost two percent. With the addition of fringes, the unit cost of factory production tenance workers rose about one-half of o There was little cost increase in manufact the wages and fringe benefits of production tenance workers.

But during the same period, the total e cost per unit of output in manufacturing percent. Almost all this rise was due to increase of unit salary costs.

Unit costs for salaried employes rose during this period, excluding non-payroll 33 percent if fringes are included. These risen sharply, yet no one charges salaries " us out of world markets."

American unions cannot be expected necessary wage increases for production a nane workers because management polici creased the costs of executives, supervisor salaried employes.

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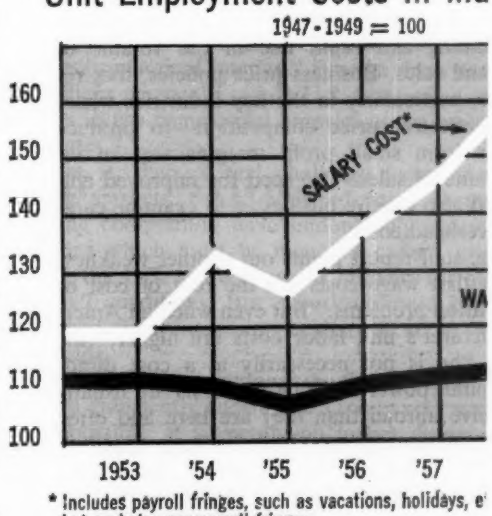

* Includes payroll fringes, such as vacations, holidays, e but excludes non-payroll fringes.

Source: Prepared by AFL-CIO Department of Research Department of Commerce, Federal Reserve Board, Same data as used by Fortune Magazine, June 1961.

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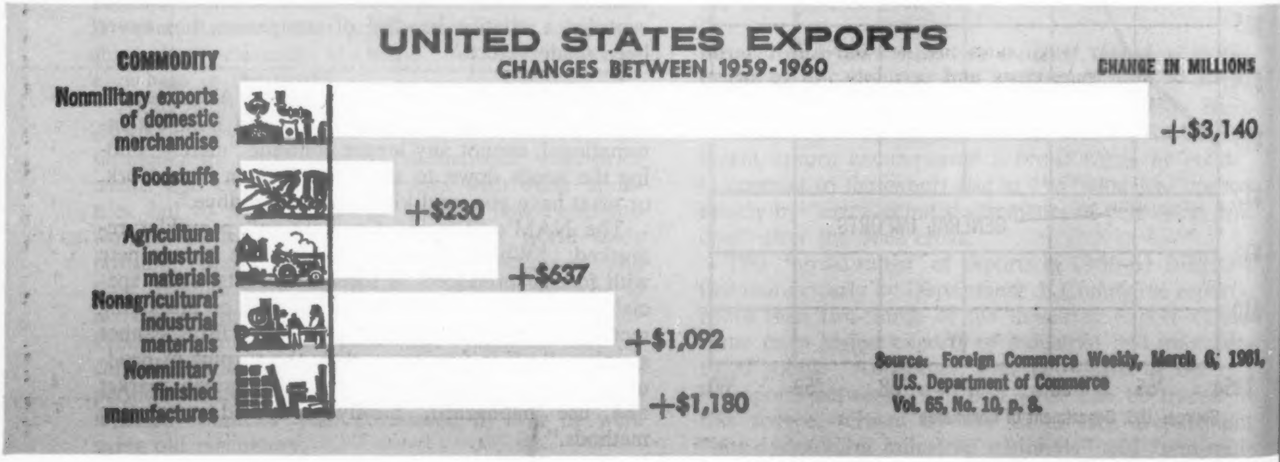

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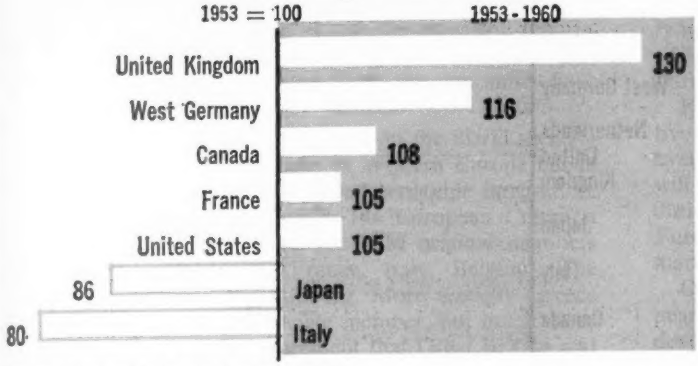


Source: National Industrial Conference Board

1958 to 1960-61 and wholesale prices crept upward only slightly, despite wage rises throughout this period. For the whole period 1953-60, when compared with other nations, U.S. retail prices were slower paced. U.S. wholesale price indexes, while rising somewhat more rapidly until 1961, began to turn downward this year although some of our foreign competitors' indexes turned upward.

The hourly earnings and fringe benefits of workers are not the wage cost of a product. The wage cost is the combined result of the workers' hourly earnings and fringe benefits and the number of items produced in one hour—the wage cost of each item that is produced. What is important, therefore, is the labor cost per unit produced or the unit labor cost. Productive efficiency offsets high wage levels.

The Washington Post recently reported a U.S. businessman back from a trade mission to Japan as saying it would take 2,000 Japanese workers to do the work of 500 men in his Royal Oak, Michigan, machine tool plant—meaning the unit wage costs in the Michigan high wage plant are probably lower than in the Japanese low wage plant. In other specific industries or plants, of course, Japanese productivity may be much greater and their unit wage costs may be much lower.

What U.S. labor has long argued is now well-known: hourly wage rates are not the sole determinant of unit wage costs and certainly not of prices. The relationship between hourly wage rates and the volume of output, as well as the time spent by a worker producing each unit, is the valid gauge. If output per manhour or productivity is rising very rapidly, substantial wage increases would not raise unit wage costs.

The National Industrial Conference Board chart book, "The New Competition," shows that recent changes in U.S. unit wage costs do not compare unfavorably with those of many other nations.

Productivity of factory production and maintenance workers has gone up rapidly since 1953—so much so that unit wage costs, excluding non-payroll fringes, have gone down. But for salaried employes in manufacturing—executives, supervisors, technicians, sales personnel and clerks, the figures show unit costs have gone up very sharply since 1953.

Between 1953 and 1960, unit wage costs, excluding non-payroll fringes, such as pension plans, went down almost two percent. With the addition of non-payroll fringes, the unit cost of factory production and maintenance workers rose about one-half of one percent. There was little cost increase in manufacturing from the wages and fringe benefits of production and maintenance workers.

But during the same period, the total employment cost per unit of output in manufacturing rose 10.5 percent. Almost all this rise was due to the sharp increase of unit salary costs.

Unit costs for salaried employes rose 32 percent during this period, excluding non-payroll fringes and 33 percent if fringes are included. These costs have risen sharply, yet no one charges salaries "are pricing us out of world markets."

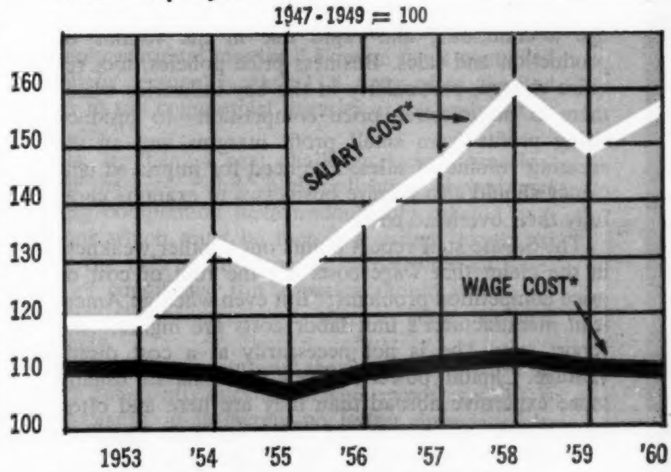
American unions cannot be expected to give up necessary wage increases for production and maintenane workers because management policies have increased the costs of executives, supervisors and other salaried employes.

From 1953-60, the salaried workers' share of total employment costs in manufacturing rose from 27.1 percent to 33.3 percent, while the share of wage earners went down from 72.9 percent to 66.7 percent. The salary share of employment costs in industry has been rising while the wage share has been declining.

Factory production and maintenance workers are laid off in recessions when output declines. In recent years not all of them have been recalled when

Unit Employment Costs In Manufacturing

1947-1949 = 100



* Includes payroll fringes, such as vacations, holidays, etc., but excludes non-payroll fringes.

Source: Prepared by AFL-CIO Department of Research on basis of data from Department of Commerce, Federal Reserve Board, Department of Labor. Same data as used by Fortune Magazine, June 1961.

business conditions improved. Since 1953, however, there has been a very sharp increase in the hiring of engineers, technicians and supporting staffs. There have also been substantial increases in the salaries, bonuses and expense accounts of executive and supervisory company officials. In addition, the managerial, technical and supervisory staffs are largely retained during recessions and, in recent years, the size of these staffs has been increased sharply when conditions improved. Industry's overhead costs, therefore, have been mounting.

The impact of these overhead costs can be minimized—or even stabilized—by a rapidly rising volume of production and sales. But since 1953, there have been three recessions and only a slow increase in the volume of production. Sharply rising salary and other overhead costs, therefore, have been spread over a slowly increasing number of units produced.

Idle plants and machines also mean higher overhead costs. When industry is not using its plant and equipment to a maximum degree, overhead costs per unit of output are bound to be high. During most of these past eight years, there have been considerable amounts of idle industrial capacity.

For the past eight years, organized labor has been seeking full employment and full use of plant, equipment and manpower. Ever since 1953, American trade unions have called attention to the slowdown of economic growth and the need for government policies to encourage full employment and a rising volume of production and sales. Repeatedly, too, unions have opposed the pricing policies of the dominant corporations in key industries, where prices are set to produce profits at low-volume operations.

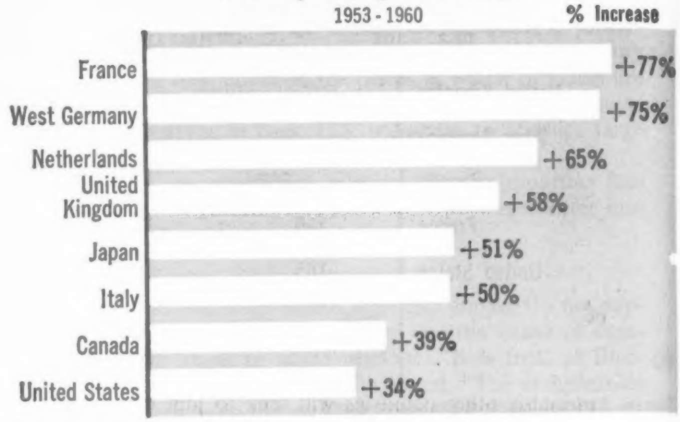
The policies of government and major corporations resulted in pressures on unit costs—sharply increasing overhead costs per unit of production while unit wage costs in industry remained relatively stable.

To reduce these costs, government should encourage a continuing and rapid rise in the volume of production and sales. Business price policies, too, require change, particularly in the key industries where there is no effective price competition—to produce rising profits from small profit margins and an increasing volume of sales. The need for improved efficiency should also require businesses to examine carefully their overhead costs.

The Senate staff report points out another weakness in the claim that wage costs are the root of cost or price competition problems: "But even when an American manufacturer's unit labor costs are higher," the report says, "he is not necessarily at a cost disadvantage. Capital, power and raw materials are usually more expensive abroad than they are here and often by margins large enough to offset any wage gap."

Much more enters into the picture of competitive prices than discussions of the costs of American wage earners—such as the cost of capital, power and raw materials. In short, American industries, with varying problems and countless types of products, cannot afford to resort to spurious arguments to find a mythical scapegoat for their specific difficulties.

Hourly Wage Changes



Source: National Industrial Conference Board

Competition requires an effort to find out how to make American products attactive to foreign buyers and to seek them competitively in world markets. The government, too, should work to get foreign countries to eliminate or reduce their barriers against American products.

Future Market Shares

Nor can American industry, government or labor ignore the fact the markets of the world have been shifting and changing. While other competing industrialized nations have been moving their exports forward at a sometimes phenomenal pace, much faster than ours, their activity is neither awesome nor fearful. American must heighten its own efforts, true, but trade patterns must also be viewed realistically.

These changes in world markets do not necessarily mean future trade patterns will work to America's disadvantage. Last December, Hal B. Lary of the National Bureau of Economic Research told the American Economics Association of possibilities that some major shifts have already taken place. Lary demonstrated that "some basic structural disturbances" in the U.S. balance of payments for the last six years helped create "an adjustment problem" for the U.S. His analysis showed that "if the levels of trade prevailing in recent months can be taken as a guide, the greater part of the adjustment needed would seem to have been made."

He declared "it would appear that encouraging progress has been made. The overall export performance, in particular, looks impressive in relation to the barriers which have existed, and many of which still exist, against U.S. goods and in relation to the depressed conditions prevailing in Canada, Latin America and other non-industrial countries which in 1953-55 took two-thirds of total U.S. exports."

Business Week magazine sums up the market questions, saying "How much of U.S. trade reversals is

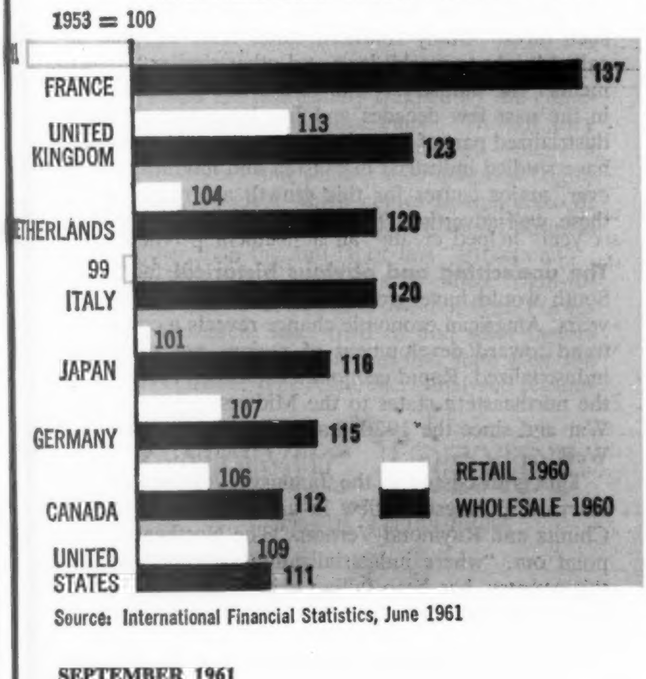
due to the 'normal' re-establishment of something resembling pre-war divisions of world markets and how much is due to a loss of competitiveness of U.S. goods is a key problem." Lary, the magazine reports, now seems to feel the "re-establishment" of trade patterns has taken place and world market shifts have more or less stabilized.

But a new factor has entered on the world scene—the development, especially in Western Europe but in other areas as well, of regional economic integration. The best known example is the European Common Market established in 1957. ECM original members were West Germany, France, Italy, Belgium, The Netherlands and Luxembourg. More recently Greece has affiliated as an associate member, but much more important is the announcement that Great Britain and probably other countries will seek to join this group.

It is the objective of the European Common Market to dismantle tariffs among its member countries while establishing a uniform tariff structure for the goods coming into ECM from non-member nations, including, of course, the United States. By mid-1961, ECM had already made a good start toward its goal. The ultimate aim of the ECM extends beyond the trade area to more general economic, social and perhaps even political coordination. With the probable accession of Great Britain, some or all of the Scandinavian countries and perhaps other members of another regional grouping called the European Free Trade Association, ECM could soon embrace all or most of Western Europe with a population of more than 250 million.

The objective of regional economic integration in

International Price Movements



Source: International Financial Statistics, June 1961

Western Europe is to broaden the markets of industries in the area to continental proportions and thereby expand the European economy more rapidly and greatly improve the wellbeing of the people. The prosperity and full employment Western Europe has enjoyed during the past few years have borne this out.

However, U.S. firms could be at a serious competitive disadvantage. As tariff barriers come down between Western European countries, American firms will be faced with the situation of having to pay tariff duties to sell their products in Europe while their European competitors pay no duties to sell in the same markets.

Changes are not confined to the industrialized European region. They are also taking place in the less developed countries in Asia, Africa and Latin America, where the U.S. share of markets has undergone a "relative shrinkage" in recent years.

"The U.S. is no longer the uncontested supplier as it was in the immediate postwar years," the Senate staff report has made clear. Yet "there is little evidence the United States is pricing itself out of the market in any general sense or that there is large-scale dissatisfaction with the quality of the American product." Foreign competitors have been more active sellers than American businessmen, the report observed.

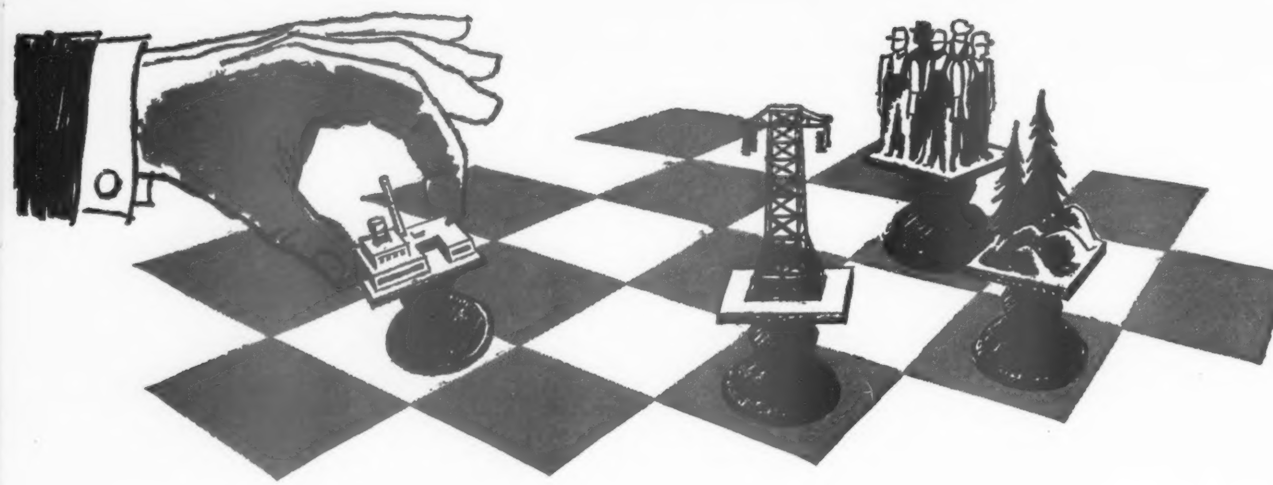
As a specific example of relations with an underdeveloped nation, the Senate report's case study of U.S. trade experience in India showed a wide variety in the causes of U.S. trade difficulties there. Among these were import and government controls in India along with too little understanding of, and support for, working with the inner operations of the Indian economy.

The study also explained how the United Kingdom, Japan and the Soviet Union have been expanding sales of products in India. "European and Japanese foreign representatives are known for their aggressive sales techniques. The view is, it really is important for these firms to sell their product whereas American firms show only marginal interest." Foreign firms contacted the Indians personally, while U.S. firms often "invited Indians to use commercial libraries at the embassy or consulates."

There is, then, a real challenge facing America. Shifting markets, rising industrialization abroad and changing competition have undoubtedly created new situations which must be met. We cannot expect to enlarge the U.S. share of world markets for all time, under all conditions. But America should not be so concerned about increasing its share as about widened U.S. trade.

"Despite the competition," the Senate report found, ". . . a sufficiently substantial U.S. export surplus is not impossible; it is merely no longer automatic. In short, it requires a distinct effort to sell American goods abroad where little or no effort was needed before."

Putting the blame on American labor will not help create the kind of effort needed in a world of changing trade patterns and complex relationships.



The Truth and Consequences Of Industrial Plant Migration

"Pressure is terrific from civic groups once it's rumored that you're going to build or buy," reported a businessman who had recently chosen a new location. American communities, hungry for new industry, are competing for the industrial expansion of the Sixties. Competition, civic pride and the art of salesmanship should add up to prospects for sound economic progress. When the competitors resort to bargain-basement cutthroat tactics, however, the results usually are harmful.

The problem is not new. Eight years ago, while still a senator from Massachusetts, John F. Kennedy wrote about the good and bad element in industrial migration: The aim should be the "common goal that lies ahead of us—the expansion and prosperity of every section of the nation, not the ephemeral aggrandizement of one at the expense of another through the exploitation of impermanent and ultimately self-destroying values." Lures not in keeping with that goal have proved unreal and dangerous.

But the problem is now larger and the competition keener than when President Kennedy wrote that article. Some ten thousand organizations are engaged in the struggle to attract new business to their states, cities or towns. Often they advertise "attractions" growing industries do not even seek, but the constant repetition of these lures has convinced too many Americans of their effectiveness. They offer apparently simple solutions to the dual problem of communities' needs for new business and of industry's pressures to expand.

The pressure is transferred to the voters to "pass this law so industry will come in" or "don't pass that law or industry will stay out." Despite clear proof that most business seeks good values, pressure for the wrong kinds of attractions continues and the phony lures work against prospects for a better economy.

What are these attractions that are supposed to bring industry? Laws against labor unions, laws for tax-free plants. Or the negative: No laws for decent minimum wages, no laws for protection of water, air or other natural resources from industrial pollution.

Repeatedly the South is used to prove the value of such lures. Many southern states have adopted so-called "right-to-work" laws and other similar "inducements" for industry. The South has grown rapidly in the past few decades and has become a more industrialized part of America. According to those who have studied industrial expansion and migration, however, major causes for this growth are not found in these well-advertised but unsatisfactory inducements.

The unexciting and obvious historical fact is the South would have grown anyway. For the past 100 years, American economic change reveals a continuing trend toward development of regions not previously industrialized. Rapid economic expansion spread from the northeastern states to the Midwest after the Civil War and since the 1920s has been moving South and West.

This is discussed in the January 1960 issue of the Harvard Business Review in an article by Benjamin Chinitz and Raymond Vernon. "The Northeast," they point out, "where industrialization first took hold in this country, has been falling behind the nation in industrial growth for at least a hundred years." Further-

more, "the combined share of the South and West in the nation's manufacturing employment has risen from 20 percent to 30 percent since 1899. Meanwhile, the north central states, which made great strides in industrialization up to 1929 have just about maintained the national rate of growth since that date."

Ironically enough, this historical trend received a strong push from the federal government. No states' rights advocates can deny these facts: the Tennessee Valley Administration, which helped to lower power costs, brought industry and spread innumerable economic advantages to a whole area. There is no similar government low-cost power in the Northeast or Midwest, for example.

The federal government also established and developed during the past few decades—during World War II and afterwards—numerous military installations in the southern states whose personnel and activity meant more business and markets. Federal contracts went to that region in great numbers.

In his Atlantic Monthly article eight years ago, the then Senator Kennedy enumerated "RFC loans, federally constructed or financed power projects, soil conservation programs, farm price supports, grants-in-aid, construction projects, military installations, tax amortization certificates" as "largely responsible for the remarkable improvement in the southern economy during the past twenty years."

With these growth stimulants available, the South's climate and other natural advantages needed no added inducements, especially not the unfair and unstable attractions of substandard wages, tax-free plants subsidized by federal tax-exempt municipal bonds and anti-union laws. Some businesses undoubtedly sought some of these or a combination of them, but the industries responsible for the South's rapid progress are just as surely the businesses which sought more realistic values.

Studies of other states confirm the fact that most businesses are not usually trapped by the come-ons of anti-labor and low-tax baits. Though they remain propaganda weapons to bombard voters, a recent survey shows that when a state adopts a "right-to-work" law, business which comes to that state or adds facilities within it follows age-old sound business reasons rather than the anti-labor law "attraction."

Indiana, for example, passed a so-called "right-to-work" law in 1957. A business research firm, Forbes Marketing Research, Inc., tried to find what factors resulted in industrial expansion in that state after the new law was passed. The researchers analyzed reasons for location decisions reported by 100 companies, carefully selected as truly representative of new and expanding industries in Indiana after 1957.

Of all the reasons given, "right-to-work" proved an insignificant factor and taxes were low on this list. The survey found what any economist knows: most intelligent businessmen find the questions involved in location decisions far too complex for tax lures, low wages or anti-labor laws to be effective overall attractions.

For one thing, the method of deciding where and why to build a plant in one place rather than another differs so much among companies—and this is confirmed by New York and Minnesota state studies—that no one factor stands out as "the reason" for the choice of a given state or location. The decision-making process ranges from some companies' combination of guesswork and pressures to other businesses' years of study by teams of analysts. Since businessmen are interested in producing and selling at a profit, their major concerns in locating plants are practical economic issues such as customers, raw materials and skilled labor.

The Forbes study sorted out ten major reasons for choosing one spot instead of another. All are commonsense reasons, no mystery to any businessman.

The paramount objective was markets, for the practical down-to-earth business purpose of locating near customers. Nearby existing, well-established markets or potential markets were of major importance to the decisions of 86 of the 100 Indiana companies.

Other recent studies have shown changing transportation rates have caused pressures on industries with high transportation costs to locate nearer their markets, as Benjamin Chinitz explains in his book, "Freight and the Metropolis." This fact has encouraged the growth of such industries with high freight costs "in areas where they have been under-represented. On the whole, this trend has favored the relatively under-industrialized portions of the nation."

Forbes ranked the labor factor second in importance for the companies interviewed. The survey found relative skills in the labor force in the area were more important than factors such as "right-to-work," union and employe-employer relations, labor productivity, hourly wage rates and employe attitudes, although the latter factors were mentioned.

Only seven of 100 companies listed "right-to-work" even as a factor in their decisions and only one cited Indiana's "right-to-work" laws as the primary attraction. Thus, of the 100 companies studied, only one found Indiana's "right-to-work" law the major attraction for locating in the state and the plant accounted for only 60 jobs. The percentage of employment affected by the seven companies expressing some degree of interest in "right-to-work"—out of the total employment in the 100 companies surveyed—amounted to 1.6 percent for new industry and 2.2 percent for expanding industry.

Seventy percent of the companies locating in In-

ECONOMIC TRENDS AND OUTLOOK

diana mentioned raw materials as an inducement to that location.

Fourth in importance in the Forbes survey was availability of land, buildings and other aspects of occupancy costs.

Fifth-ranking were taxes and local government. Only 18 of the 100 companies considered taxes "very important." Forbes indicated Indiana's tax advantages were not great in relation to those of other states. Other important locational pulls were such considerations as utilities and fuel, living conditions, business climate, acquiring an existing facility and public transportation.

Location decisions in Indiana, obviously, were the result of many considerations and required too much investment for simple lures designed to trap new industry. This experience is representative of all the well-known longstanding reasons for industry location decisions. They are factual recordings of the many complicated factors in the decision-making process—commonsense considerations of businessmen looking for a suitable location in which to build or buy a new business or plant that can be operated profitably.

New York and Minnesota state surveys, which examined the relevance of tax factors along with other inducements came up with about the same answers: taxes are only one of the numerous more important factors. Other economic studies—both academic analyses such as those reported in the Harvard Business Review article mentioned earlier and business publications such as Dun's Review—discuss major reasons for industry locations generally supporting the Forbes' findings for Indiana.

If these are ten sound reasons for industry location, why is there so much concern about unfair or unreal competition from baits such as anti-labor laws, tax devices, low wages, etc.? The South again can be used to explain valid reasons for such concern.

Despite its rapid progress since the 1930s, despite historical and natural locational advantages and despite the government's extra contributions to its development, the South has not reached the standards of the nation as a whole in important economic areas. For three decades, the South has been moving forward but it is still far behind the nation.

Per capita income is still well below the national average; education standards are below the national average; wages and social and economic legislation provide lower all-round living conditions. Considerable out-migration of population in some southern states—particularly of young educated people—demonstrates this developing region has not moved forward fast enough to take adequate care of its population.

Since the South has not achieved average national standards, clearly the region needs to proceed at a pace faster than the rest of the nation. Yet figures show only a slight narrowing of the difference between the South's rate of improvement and the national average in recent years—for example, in growth of manufacturing employment and new capital invested in manufacturing. The rapid economic expansion of the South occurred between the late 1930s and 1947. More recently, the pace of the South's progress has slowed down slightly in relation to the rest of the nation at a time when the South is still far enough behind to need a much faster rate of increase. The relative slowdown suggests not enough spur exists despite the progress made.

The industries which have been attracted specifically by substandard wages, anti-union laws or tax devices may account for some of the South's failure to move forward more rapidly. Low wages, anti-labor laws and poor educational facilities are not the way to promote rapid and sound economic growth.

There is evidence some industries are attracted by "gimmick" lures. Economic analysts say the industries which respond to such attractions fall into three main categories: the uninformed, the temporary and those seeking large numbers of unskilled workers to make cheap, standardized goods.

For future community health, these types of business are not the best prospects for sound industrial growth. Runaways, fly-by-nighters and bargain-seekers exist, but they may hurt in the long-run much more than they help.

Several articles in the financial magazine, Dun's Review, have warned business against falling into the category of the "uninformed" about plant location changes. The uninformed, the articles note, may seek low wage rates to obtain lower labor costs. Yet the low wage rate may be accompanied by low output per worker, with resultant higher labor costs. Business surveys repeatedly publish this warning in analyses of plant location decision-making.

Again the warning comes that good industrial relations are not evidenced by anti-labor laws. "Many a southern community," to quote Dun's Review of March 1960, "has suffered more from troublesome work-stoppages and strikes than a community of equal size in the North."

Management consultants also warn that taxes can change, so dependence on such an inducement is not very wise. In addition, the Investment Bankers Association recently issued a study on the economic weaknesses of some municipal bonding devices that subsidize tax-free plants. Others have supported the view that a tax-free plant may not prove helpful if good educational and other community services for the business and population are lacking because of an inadequate tax base.

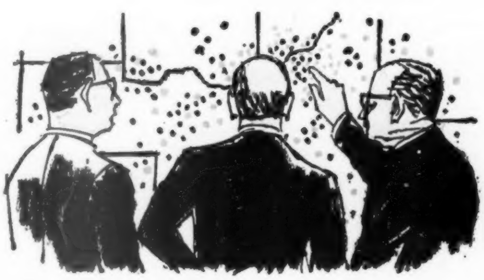
The runaways, the migrant businessmen, may look for areas with quick lures that seem attractive, unlike the usual businessmen who plan ahead for roughly a quarter of a century in a new location and seek customers, skilled labor and raw materials. But the community which seeks such business must remember two can play this game—or two hundred. The plant that runs away to one community can run away to another—whenever other quick attractions appear or when momentary advantages of a particular place

have been exhausted. So-called "right-to-work" states are finding that plants seeking low wages may come in for awhile, but move again to pay still lower wages elsewhere, perhaps in another "right-to-work" state.

A business looking for a large labor force to produce a cheap, standardized product is often attracted by the lure of substandard wages and anti-labor laws. Yet this kind of industry cannot form a strong economic base for community development. Wage levels affect the very markets most American industries would list as the number one location factor. Plants attracted to a location by low wages and anti-labor laws usually are not the types of permanent, growing businesses that produce sound economic expansion.

The real danger of promoting unfair or unreal location lures is not only the economic danger from overemphasis on certain kinds of industry, but also the economic and social dangers from putting the so-called attraction into effect. Whether or not a single plant or business is attracted, once a community becomes convinced a tax-free plant is the answer to its need for new business and adopts such tax laws, the economic and social disadvantage of an inadequate tax base is established. Not enough tax money for adequate educational systems hurts both the community and the nation. Low wages or substandard working conditions from anti-labor laws create a drag on the economic progress of the area, whether or not a single plant moves in.

Labor commissioners in several states have told of bad effects from so-called "right-to-work" laws. In surveying experiences in other states, the Maine Commissioner of Industry and Labor found officials in Arkansas, Indiana, Iowa, Nebraska, Nevada and Tennessee noted negative, not just neutral results, from "right-to-work" laws. Another nine state commissioners called the results uncertain. Two failed to reply to the questionnaire. Only two state commissioners of labor in "right-to-work" states reported "some good" from such legislation.



In 1961, fifteen states still permitted the use of tax exempt municipal bonds to lure industry by providing tax-free plant structures. But the Investment Bankers Association finds them economically dangerous and even the Saturday Evening Post complained last year of a variation on this law. When the city of Deming, New Mexico, "abducted" an Indiana and a California plant through a tax lure, the Post complained "it is going a bit far when one state can make economic war on all the others in this manner."

Growing industries are not usually attracted by gimmick lures such as "right-to-work" laws or tax-free plant structures. Expanding industries look primarily for locations near their customers or raw materials or for areas of trained manpower and good educational and research facilities. In these times of rapid technological change and automation, the new and growing industries find educational and research facilities of great importance as factors influencing location decisions.

For the most part, those few industries attracted by low wages, anti-labor laws and gimmicks are low-investment industries seeking low-paid unskilled labor and can easily move from one low-wage area to another. Such industries, with their low wages and the continuing possibility of moving elsewhere, do not represent the road of sound economic growth for a community.

Nevertheless, plant pirating is a problem, particularly in these recent years of high unemployment and large numbers of economically distressed communities. Many communities, unfortunately, think they can solve their problems through gimmicks and special lures to pirate plants from other areas.

Competition among communities, on the basis of such lures, is harmful to the nation. One community gains a plant at the expense of another. But a plant lured by low wages and gimmicks can be lured away to another location by lower wages and additional gimmicks. Such competition among communities can eventually drag down the wages and living standards of the whole country.

Plant pirating brings many hazards to the community gaining the plant. Low wages mean poor customers for shopkeepers. Tax-free plant structures mean a low tax base for the community's schools, hospitals, roads and other facilities. In addition, a plant lured to a town by low wages and gimmicks may leave for another town with additional special "attractions."

The sound economic health of a community depends on growing, diversified industries. Such industries, in turn, depend mainly on nearby customers to buy the things they produce and for available skilled labor, good schools and community facilities. These are the reasons, for example, for the development of growing electronics industries and research facilities in the areas around Boston and San Francisco. "Right-to-work" laws, low wages and poor educational facilities can never, in themselves, attract such growing industries of the future.

Economic warfare, between communities within the nation, should not be tolerated if the common goal of a rapidly growing economy is to be achieved. Decent federal standards for social and economic progress in every state and public understanding of the effects of special "attractions" and gimmicks could do much to keep cutthroat practices out of the competition of America's communities for expanding industries.

Collective Bargaining REPORT

Seniority—Fair Play On the Job

The importance of seniority has grown considerably in the postwar years. Increasingly, a worker's length of service with an employer decides how much priority he has over others and how much he receives in certain benefits.

Years ago bitter disputes raged over the "seniority issue," the question of whether management should give preference to workers with longer service or to those with greater "merit."

Differences of principle on this issue now have been pretty well resolved. Both unions and employers quite widely accept length of service as the controlling or at least a key factor in deciding relative status of employes and in other aspects of employment.

Seniority disagreements still arise frequently but essentially only on the drafting of detailed rules and the application of seniority systems rather than on the basic principle of preference by seniority.

This change is part of a gradual shift in attitudes on workers' rights. No longer is management wholly free, where workers are organized, to pick and choose among employes solely as it wishes, to fire, lay off, promote or transfer whomever it wants on whatever basis.

Slowly but definitely, under steady prodding from unions, recognition has grown that workers too, and not employers alone, have rights in an employment relationship. Mere payment of wages does not meet all an employer's responsibilities to workers. Moreover, the view has grown that certain worker rights, particularly the right to continued employment, should increase in proportion to length of service with the employer.

The longer a worker works for an employer, the more closely his life becomes invested in that employment. Where he lives, his friends, his habits, his sleeping and eating times, his entire physical and emotional wellbeing and other aspects of his and his family's life are each greatly influenced by his job.

Worker rights in return for this "investment" now reasonably include some assurance of job security, some opportunity for advancement and additional benefits accruing with longer service. These are not absolute rights. They are contingent upon ability to perform the work competently and on the availability of work, but they are not subject to disregard at the whim of the employer.

In a sense, such rights flowing from continued service are coming to be regarded as property rights, especially if set forth specifically in a labor agreement and may not be taken away from the worker except in specified circumstances and, even then, often only upon adequate compensation for their loss.

The growth of worker rights is reflected not only in seniority practices but also in changing concepts of what constitutes "fair play" in discharge and discipline and in the increase in severance pay arrangements to compensate for the loss of valuable rights earned during employment.[1]

Why Seniority Practices Have Grown

The pressures of unions and generally favorable experience with seniority practices are the major forces which have created increased observance of seniority principles.

Seniority was of course often observed before unions appeared on the scene. Its virtues also lead to its observance today in many non-union establishments.

But it is only because of union action that the weight given to seniority has spread so widely and has been formalized, increased and made enforceable. In non-union situations, consideration given to seniority may be limited or erratic. Even if a non-union company announces a seniority policy, it can in the absence of a union freely change or depart from seniority standards, regardless of its employes' wishes.

It should be remembered that although most unions

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[1] *For further discussion of this point, see AFL-CIO Collective Bargaining Report, September 1959 and January 1960.*

press for seniority rights there is no universal or binding union policy on seniority observance. Commentators on labor-management relations sometimes are unaware or forget that each union shapes its own bargaining policies according to needs and desires of its own members and the practicalities of its own industry or trade.

Where a union's members believe, for example, that it is fair and practical to rely on factors other than seniority, they do not pursue a seniority policy. Screen actors, for example, do not insist on seniority in selection for movie roles. Similarly, length of service is not significant for job security purposes in certain construction and seasonal activities where lack of work is handled through work sharing rather than layoffs of selected individuals.

But while unions do not adhere blindly or invariably to the seniority principle, for most types of employment they have found that, from the standpoint of both workers and management, it makes good sense or at least better sense than alternative practices.

One advantage of a seniority system is that it provides greater security for older workers. It provides assurance that, while long-service workers are still capable of working efficiently, they will not be cast aside or bypassed merely to make room for newer workers.

This is usually a union objective, both because of awareness that older workers have the most difficulty in finding other work after a layoff and because a sense of fairness endorses the idea of providing more security and greater benefits to those who have been in employment longest.

Another basic reason unions seek seniority protection is to prevent or limit abuses which arise under other methods of selection among employes. Unlike other bases for selection, length of service has the advantage of being readily measurable and objective.

This article is not intended as a guide for local negotiators in details of seniority arrangements. It does not deal with such important bargaining matters as appropriate seniority units, effects of interruptions of employment on seniority or types of exceptions to seniority rules. Instead, it simply presents a broad background for negotiators on the following:

- Types of rights and benefits usually linked to length of service.
- Advantages of preference by seniority.
- Effect of seniority on efficiency. Does seniority reduce incentive and efficiency?
- Effect of seniority on labor mobility. Does seniority in effect tie a man to his job, so desirable shifts from one company or industry to another are prevented?

Rights Based on Length of Service

Seniority is used for two broad purposes. One is to determine priority whenever a choice must be made between employes. Thus, it is the basis, or a basis, for choosing who is retained when layoffs are necessary, the order of rehiring and who gets first crack at a promotion or other desirable assignment. The other use of length of service is to determine eligibility for, and size of, various benefits.

Selection for layoffs and for recalls to employment after layoff is probably the most important application, for here basic job security is involved. It is now customary for length of service to be the governing factor in selecting employes for layoff and determining the order of rehiring.

A Labor Department Survey of major agreements in 1954-55 found almost 70 percent of layoff and recall provisions expressly made seniority the controlling factor in layoffs, although often stating specifically the senior employe must be able to do the available work. The other layoff provisions either stated seniority applied where ability was equal or that seniority was one of the factors considered, but it was likely that under many of these seniority usually prevailed in practice even though not technically required by contract language.

Actually, the degree of security for the senior worker depends not merely on whether seniority is made the controlling factor but on how widely the seniority may be exercised. Can seniority be applied only within an occupation or a department or can it be applied in a broader unit, say the plant or the entire company? Can an employe use his seniority to "bump" or displace a junior man in another job or unit?

The types of seniority units agreed on and how they are woven together vary greatly from company to company and industry to industry, depending a good deal on the degree of job interchangeability or how readily workers in some occupations can handle the duties in others.

In general, unions seek the broadest units and rights to bump junior workers in order to provide the greatest job security for longest-service workers. The object is to prevent situations in which a long-service worker in one department may be laid off when there is a shortage of work for that department while a junior employe is retained elsewhere in the plant on a job the senior man could perform.

Management often wants to limit the amount of bumping to avoid "excessive" shifting about of workers with accompanying disruption and loss of efficiency. Unions usually argue that disruption accompanying bumping at layoff time is a worthwhile cost in return for the value of keeping longer-service workers. They often point also to the side benefits of bumping in the form of diversified experience and increased versatility gained in movement from job to job.

Another important use of seniority is in determining preference for advancement. Promotions and transfers used to be largely at management discretion, with management's selection challenged by unions only on grounds of favoritism.

But in recent years, union efforts have upgraded the weight given to length of service in filling desirable openings. In many companies length of service is

Seniority Rights in Plant Relations

Two recent court rulings serve notice that management may no longer be able to lightly deprive workers of job rights by moving their plants. The rulings hold that companies shutting down plants to move to new locations are obligated to recognize seniority rights of their old employes in manning the new plants.

In one case, a company transferred operations from New York to Pennsylvania after its union agreement expired. Several workers laid off from the old plant claimed rehiring rights with full seniority in the new plant, but were turned down by the company (Glidden's Durkee Famous Foods Division) on grounds their seniority rights were good only in the old plant and only while the agreement had been in effect.

The workers went to court, charging they were being deprived of employment and valuable accumulated pension and other benefits. The U. S. Appeals Court agreed with them.

The court drew an analogy to pensions, pointing out retired workers on a pension have a right to continued pensions after an agreement runs out or a plant closes. It ruled seniority is a vested right "earned" by employes, constitutes "valuable unemployment insurance" and, while such rights might be bargained away, they could not be unilaterally annulled by the company. The court held the workers were entitled to employment at the new plant with seniority and reemployment rights they had acquired at the old one.

In a second case, a District Court similarly ruled that employes in an abandoned plant have reemployment rights in a new plant. The company (Gemmer Division of Ross Gear and Tool Co.) was moving from Detroit to Tennessee. The laid-off employes asked that, under their contract clause giving rehiring rights after layoff, they be put to work in the new Tennessee plant with full seniority.

The court ruled in their favor, stating "the rights and benefits that have accrued to the individual employes persist and cannot be unilaterally denied by the employer without the employes' consent. Among these rights and benefits would be included the right of seniority or, as more specifically involved in this case, the right to be rehired after a layoff, as stated in the contract."

This company also argued that the agreement recognized the union only for the Detroit plant and so was inapplicable in the new plant. The court said the recognition clause was significant only for purposes of union recognition and did not limit the benefits and rights individual employes had been given by the agreement.

now the principal consideration, particularly where there is a fairly clear line of progression in which experience on one type of job prepares a worker reasonably for a step-up to a higher job.

Reliance on seniority in promotions does not mean the senior worker gets a job for which he lacks ability. It does mean the senior man gets first crack at a job opening and is then entitled to the job if he has the ability to perform it or to learn to handle it competently in a reasonable break-in period.

Even where seniority is not the foremost consideration in promotion, there has been a general increase of its importance. In some instances where the union agreement may state that seniority shall be one consideration or that ability governs, with seniority becoming decisive only where abilities are about equal, management may in practice actually rely on seniority except where there is a quite evident and generally recognized difference in abilities.

There are also many other areas in which a worker's rights often depend on his length of service. Among the most common are (1) order of choice of vacation period, (2) prior opportunity in selection of hours of work (days off or shift assignment are the most important), (3) first choice at overtime work and (4) preference for desirable work location, parking space, locker assignment, etc.

In the field of benefits, a certain minimum period of service is usually required for eligibility for almost all kinds of benefits. For some benefits, completion of the minimum period—ordinarily 30 days or less, but sometimes as long as a year—entitles the employe to the same level of benefits as the longest-service worker. This is typical of paid holidays and medical and life insurance protection, for example.

But for other benefits, the longer-service worker usually gets more liberal treatment. Vacations and pensions are prime examples. It is customary for longer-service workers to get longer vacations. The right to a pension on retirement for age or disability is contingent on completion of a specified number of years of service and often the size of the pension is in direct ratio to years of service. Other benefits often scaled upward according to service include paid sick leave allowances, severance pay and various types of bonuses.

Wage adjustments are also sometimes geared to service, with workers qualifying for automatic increases upon completion of specified periods of service on the particular job or with the company.

Advantages of the Seniority System

Is it desirable to base job retention and promotion rights and superior benefits on length of service?

On the question of benefits, there is little serious management-labor dispute on rewarding longer service with certain additional benefits. There are differences on particular benefits and on how sharply benefits should be graduated with service, but there is general agreement that more liberal benefits are warranted.

In selection for layoff, unions ordinarily want length of service to be the decisive criterion and management typically is now disposed to agree, although it often seeks to limit its application through restrictions on the scope of the seniority unit and through various exceptions.

On promotions, management is more inclined to balk on a decisive role for length of service. Some unions are less insistent on seniority for promotions, but in most unions' judgment a seniority standard for promotion makes more sense than such alternative yardsticks as "ability" or "merit."

The length-of-service rule has been criticized by some in management on grounds that, by favoring the older worker merely because he has longer service, it discourages incentive and encourages complacency, downrates ability and hampers efficiency by not making full use of newer, more efficient workers.

The validity of such criticism varies with the type of job and work force involved. The criticism also must be measured against the shortcomings of alternative methods of selection to determine whether, even if seniority rules do have certain flaws, they nevertheless work better than other bases for selection.

Under a seniority system, each employe knows where he stands in relation to other employes. Selection does not depend on the judgment or whim of a particular supervisor. Because length of service is easily measurable, it is a consistent and definite yardstick.

Seniority also is ordinarily better accepted by employes as a fairer basis for layoff selection than any other criterion and is therefore best for the morale of the worker group as a whole.

By contrast, efforts to base the order of selection on "ability," "merit" or some other subjective standard run into difficult problems of measurement and potential abuse. Indeed, under such systems age is often held against a worker; a long-service employe may be laid off or skipped over for promotion merely because of his age, even if he is equally or more able than younger men.

The "merit" criterion leads some employes to curry favor with supervisors and otherwise seek undeserved preferential treatment. The way is open to discrimination, to favoritism, to arbitrary selection under the guise of measuring "ability" or "merit."

This is true even where an employer may not consciously practice discrimination. The judgment of individual supervisors may be open to influence. Workers who are good self-advertisers are likely to fare best under such a system.

This type of situation normally encourages insecurity and dissatisfaction among most workers, often with more damaging effects on efficiency than flow from any seniority system.

Much criticism of seniority has been unwarranted for another reason. Problems arise not really because of seniority rules but simply because there are layoffs. It is the fact of layoffs, rather than the criteria used for selection, which is the troublemaker.

As long as some workers are dropped and others retained, there will be complaints against the criteria used for selection, whatever the criteria. Seniority, whatever its shortcomings, has gradually come to be recognized as the criterion which makes for the least criticism and dissatisfaction, which serves as a more clearcut, orderly and equitable means for layoff selection than any alternative method.

Seniority Rules and Efficiency

In any event, how true is it that reliance on seniority hurts initiative and efficiency? Obviously, the answer varies with the type of work involved and with whether contributions of seniority to efficiency offset any losses of efficiency.

For many jobs which call for specific duties with fixed time limits, particularly work on a machine-paced assembly line, differences in ability are not significant.

Seniority Effects on Labor Mobility

"There are fashions in problems as well as hats; and when any given problem is solved, an equal and opposite problem generally emerges. The matter of labor mobility is a good case in point. A generation ago, 'wasteful and destructive turnover' was seen as a primary evil. Today it is feared that workers have become badly immobilized. While 'turnover' may still be an ugly word, 'mobility' has taken on a favorable connotation, something like 'alkilinity;' and while 'stabilization' is still a virtue, 'immobilization' is a vice.

"It is said that seniority systems, health and welfare plans and negotiated pensions have chained the worker to his job; that the adaptability and flexibility of the labor force are being sacrificed; and that a new industrial feudalism is being built . . .

"Actually it is not very likely that these negotiated benefits (seniority status, pension credits) have had much effect on the quit rate. Most workers who quit their jobs are young in years and low in service. They do not have enough seniority to keep them from changing jobs; they have typically not reached an age where retirement is a real element in their thinking; and they have plenty of time to accumulate work credits after coming to rest. The older worker, on the other hand, is disinclined to change employment for a good many reasons even in the absence of seniority and fringe benefits—particularly the difficulty of securing another job, the probable loss of economic status and his settled way of life generally."—*Professor Arthur M. Ross in American Economic Review, December 1958.*

As long as such duties are performed competently, plant productivity is little affected by whether one worker has potentially more ability than another.

For types of work in which differences in ability may be important, seniority is often largely synonymous with efficiency. The longest-service employes generally are the most experienced, ablest and most reliable persons for the job.

Some years ago, Professor James J. Healey of Harvard University investigated 58 situations in which an arbitrator had set aside management's decision to promote a junior employe, on grounds of superior ability, over a senior employe.

He inquired of each of the companies involved, in each case at least three years after the arbitrator awarded the job to the senior man, to find out how the senior man made out on the job which management had not wanted to give him.

It might be assumed the companies would tend to justify their original choice of the junior man, but the large majority of the replies to Healey reported the senior employe proved himself able on the new job either immediately or in a short period.

Even more significant was a frank statement in most of these cases that management now doubted whether the junior employe it originally favored would have done any better on the job. Also, in half the cases the senior employe had already advanced since the disputed promotion to still higher-rated jobs.

In less than a quarter of the replies did management say it still thought promotion of the senior man was unsound.

Healey pointed out several reasons why the senior man worked out so well. Management may have been correct in judging the junior employe more able, but the extra ability may have had little to do with the job involved. Also, the fact of promotion may have stimulated the senior man to good performance. In addition, some companies pointed out the problem of determining relative abilities; the appraisal of abilities of the senior and junior employes depended a good deal on the particular supervisor.

One major point often overlooked is the constructive influence of seniority on workers' attitudes to technological change. Seniority systems assure the older, more stable part of a firm's work force it will not be laid off unless the layoff is a severe one cutting deeply into the work force and that it will get first opportunity at new or changed jobs.

They thereby help moderate or eliminate fear and opposition of the key part of the work force to introduction of new technology which may have labor-displacement effects. In the broad sense, this contribution that seniority makes to worker acceptance and cooperation in technological innovation has a decided plus effect on productivity.

If a company lays off its senior workers and retains junior men, it casts into the labor market the workers who probably are less adaptable and less mobile. Wholly apart from questions of equity, of human effects and of practical difficulties older workers have in getting new jobs, it is likely that laid-off older workers will contribute less to national efficiency than if retained in familiar work in which they have accumulated long service and experience.

Seniority and Mobility

Another criticism sometimes made of seniority is that it reduces labor mobility and in that way undesirably limits efficiency of the economy as a whole.

The economy functions best, this argument says, if labor is mobile, if workers respond to employment needs and higher wages in expanding industries or areas. But the older experienced workers are reluctant to change jobs even in response to offers of higher wages, it is contended, because they do not want to give up the security and benefits of accumulated seniority rights. Thus, the argument concludes, seniority practices in effect tie men to their employers and hamper worker movement needed for a flexible, expanding economy.

It is to some extent true that development of seniority rights has reduced the willingness of many long-service workers to give up their jobs to start on new ones. But it is questionable whether long-service employes ever had much willingness to move.

And curtailment of mobility is by no means automatically evil. The benefits of a stable work force and reductions in costs of turnover are considerable advantages, usually more than balancing economic losses from decreased mobility.

Wholly apart from the question of how much and what types of mobility are desirable, it does seem clear the effects of seniority on mobility have often been exaggerated. Long-service workers indeed may be reluctant to change jobs and risk starting anew in a different line of work or location. But, in the main, this is so whether or not they have seniority rights. The same factors which lead workers to stay with one employer for a long time tend to keep them there. Seniority rights may intensify their reluctance to leave, but rarely account for it in the first place.

Most mobility always has been concentrated among younger workers. Many young workers often shift from one job to another, not because they lack seniority but because they have not yet decided what they would like to do or have to do. At some point, they tend to stick to a job, develop family responsibilities and become settled in the community. At that point their mobility diminishes greatly, wholly apart from the question of seniority rights.

Professor Arthur Ross of the University of California, in examining decline in labor turnover rates in recent decades, concluded seniority has played a minor role in reducing labor mobility. His investigation found quit rates had always been low among employes with more than a few years of service—as far back as pre-World War I years when seniority rights were not a factor—and that declines in recent years have been due to curtailment of turnover among junior rather than senior employes.

Labor's Case In Support Of Aid to Education

Resolved: "That the federal government should provide additional aid for public school facilities."

This is the type of proposition which high school debaters across America will be considering in the 1961-62 school year now underway.

That organized labor's position is in the affirmative—and has been since the first workingmen's agitation well over a century ago—is made abundantly clear in a debate kit furnished the students.

The National University Extension Association, which administers the debates, announced the topic and invited the AFL-CIO and other organizations to contribute materials for its debate kits.

Last year, the high school teams discussed the United Nations. The year before, the topic concerned government regulation of unions.

This time the chosen problem area is: "What should be the role of the federal government in education?" The final discussion questions and debate propositions are expected to involve such issues as federal aid for schools, for teacher salaries and for various levels of education.

The AFL-CIO has contributed three pamphlets to explain the position of the American labor movement:

- "A Step Toward Real Partnership—Federal Aid to Education," by AFL-CIO President George Meany.
- "Labor—Champion of Public Education," a historical account of labor's efforts to achieve a compulsory, free and democratic school system.
- "Fair Taxes for Good Schools—The Case for Federal Aid," an analysis of methods of financing schools and the case for modernizing these methods.

"Only the adequately informed can adequately govern themselves," wrote Meany in opening his statement. "Education is the indispensable basis for human progress, not merely in the physical sciences but in our way of life."

AFL-CIO EDUCATION NEWS AND VIEWS

And yet, Meany noted, it would be obvious that true equality of education did not exist today if the high school debaters could be gathered together. Such a group would include students from well-equipped schools, with small classes and able, unhurried teachers. It likewise would include students from crowded, ill-equipped schools with teachers overworked and undertrained. This range, he added, represents differences "too great to be tolerable in a democratic society."

Organized labor, Meany continued, has recognized the crucial importance of education in a democracy since the early 1800s. Unions then, he noted, ranked free public schools with higher wages and shorter hours as primary objectives.

The federal government has an even longer history of supporting education, he observed. The Congress in 1785, before the constitution was adopted, decreed that a section of land in each township in the new western territories be set aside for free public schools. Since then, Meany pointed out, there followed such federal actions as the land grant colleges under Abraham Lincoln; aid to vocational education; the G. I. Bills of World War II and Korea; aid to areas impacted by federal facilities and the National Defense Education Act of 1958.

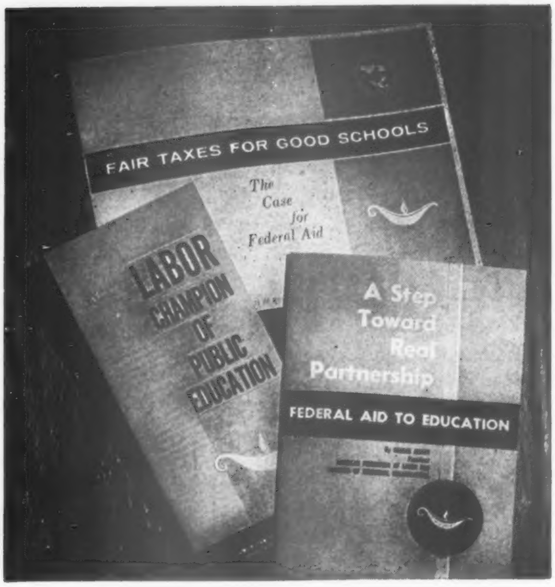
"The real question, therefore, is not whether the federal government properly should have a role in public education; it has always had one," Meany wrote. "The real question is its degree."

The American system of education, he added, evolved as a partnership of local, state and federal forces, with control over policies and operation in local hands. And this should remain so, Meany added.

But, he said, the financing of schools has been very disproportionate and underlies "the tremendous differences in educational opportunity."

Meany said the U.S. Office of Education estimated this breakdown of the sources of revenue to support public schools: localities—meaning local property owners—55 percent; states, 40.4 percent; the federal government, 4.6 percent. The local property owner has shouldered a back-breaking burden as education has expanded and grown more complex, he added. Meany then discussed three problem areas.

On school construction, he pointed out the class-



room shortage had worsened as the increase in pupils continued to outrun new facilities. The 1960-61 school year opened with 1.9 million more pupils than there was optimum room for; as a result, 685,000 pupils were forced into split-shifts. The classroom shortage rose from 135,000 classrooms in 1959 to 142,000 the following year. In addition, Meany stressed, these estimates are based on present attendance patterns; if the present "shocking 30 percent" drop-out rate among high school students is successfully cut, as it should be, enrollment will jump further. The current rate of some 70,000 new classrooms a year thus imposes a maximum load on local and state taxpayers and clearly fails to keep pace with the problem.

On teachers, Meany traced the shortages—estimated by the AFL-CIO Teachers Union at 250,000 and the lowered quality, with 91,500 or 6.5 percent of the teaching force, on "emergency" certificates—primarily to low salaries.

Meany said the salary of a teacher averaged $5,389 for the 1960-61 school year, as estimated by a private group. An Office of Education survey for 1957-58 showed an average of $4,702. The AFL-CIO Teachers reported 21 percent of classroom teachers earn over $5,000; 62 percent make between $3,500 and $5,000 and 17 percent earn less than $3,000. Meany compared these figures with two commonly-used standards. One is the U.S. Department of Labor's "city worker's family budget," which calls for $6,130 a year to assure a "modest but adequate" standard of living for a family of four. The other is the Heller Committee for Research in Social Economics at the University of California, which set an income of $9,476 for a family in the "junior professional and executive" class.

On higher education, Meany pointed out that luck or accident may outweigh merit: How much money do you have? Are you white or Negro? Are you a boy or girl? In what state do you live?

Two recent studies, he noted, estimate that from 50,000 to 100,000 youths in the upper quarter of their high school graduation class each year fail to continue their schooling further because of financial reasons. Meany said labor believes the problem should be attacked on three fronts: through federal scholarships; through federal aid to enlarge academic facilities and through federal assistance to develop more junior colleges and expand state universities.

Labor believes, Meany concluded, that "the federal government must greatly expand its share of the cost" of today's educational needs. Surely, he added, the federal government is not an enemy, an outsider, an interloper; it is "all of us and all of us have a responsibility for the common good."

"Labor—Champion of Public Education" discusses labor's support of a better public school system from the early 19th century. The Workingmen's Party, organized in New York City in 1829, had as a major plank a demand for a school system "that shall unite under the same roof the children of the poor man and the rich, the widow's charge and the orphan, where the road to distinction shall be superior industry, virtue and acquirement without reference to descent."

"Fair Taxes for Good Schools" argues that the past and present systems of financing school systems represent regressive taxation and weigh unfairly on those least able to carry the burden. It pledges labor's support for whatever modernizing changes are necessary to achieve adequate education for all, including progressive taxation based on the principle of ability to pay, school district consolidation and legislative redistricting.

With these pamphlets, it can be expected the high school debater will take the stand well-armed to meet the arguments of the status quo.

NEW BOOKS

"Never before have so many owed so much . . . never has so much profit been made out of debt itself." So writes Hillel Black in a new book, "Buy Now, Pay Later."

"Currently, about 100 million Americans," he continues, "are participating in the buy-now, pay-later binge. . . . Babies are being born on the installment plan, children go through college on time, even funerals are being paid for on what the English quaintly call 'the never never.' Through debt, people are buying hairpins, toothpaste, mink coats, girdles, tickets to baseball games, religious medallions, hi-fi equipment, safaris in Africa."

Hillel Black is a reporter by profession and he has applied journalist's talents to a trip through the "wonderland of credit." The whole personal credit machinery is examined in fascinating detail, from the large, respectable purveyors of credit such as the Household Finance Corporation, the Diners Club and the commercial but increasingly folksy bank down to the lowest level debt peddler, swindler and loan shark.

The consumer-borrowers and time buyers range from the harassed families moving out to the suburbs and heedlessly plunging into debt down through the victimized and often desperate inhabitants of low-income housing projects in New York's lower East Side. Black explains the 57 million-card credit card industry, tells how credit rating bureaus operate and shows how delinquent debts are collected. Collection devices include the "friendly letter," harsh wage garnishment actions and sometimes an accidental murder or two. Vanished "dead-beat" debtors are hunted down by "skiptracers," whose dubious sleuthing methods have more than once gotten them into trouble with the Federal Trade Commission.

The boom in credit has taken place mainly since the war, with a large part of the expansion in the past 10 years. At the end of 1960, the consumer public owed its creditors $195 billion: $139 billion in home mortgages and $56 billion in "consumer credit"—that is, "short-term" debt. The $56 billion included money owed on cars, appliances, home repairs, small loans, charge accounts, revolving credit and credit cards. The amount of this "consumer credit" has risen over 550 percent since 1940 and has more than doubled in the past 10 years.

With the credit boom has come the "good credit rating" as the new social virtue. The credit card is the new "status symbol." Commercial banks, through their "instant money" check credit plans, help you overdraw your account. Ninety percent of the department stores in the country offer some form of the new "revolving credit." Small merchants stay in the swim by joining a central charge plan—many operated by banks—which issue credit cards for the participating stores on a revolving credit basis.

Children are being initiated into the new social virtue of debt through the "educational" invention of "teen-age credit." Children as young as 12 or 13 can charge up to $12, $25 or $50 a month to the department stores without their parents' consent.

While conceding the vital importance of the credit industry to the American standard of living and to the economy as a whole, Black nevertheless maintains "the American consumer who buys on credit is often being abused and deceived and in some ways outrageously swindled."

First of all, the consumer has been oversold on credit to the point where "we are reacting . . . the way a child reacts to a stick of candy which is constantly waved before his eyes. And like the child who can't resist we consume more debt than we can digest simply because we are losing our power to wait for the things we want."

This can add up to a dangerously heavy commitment on family income. Family bankruptcies have increased 300 percent over the past decade and "debt consolidation"—the borrowing of more money to pay off existing debt—is the most rapidly growing form of consumer credit.

Secondly, the consumer has no idea of the high price he pays for the use of borrowed funds, in the form of retail installment credit or installment loans. This is partly because he readily succumbs to the siren song of "easy monthly payments" without regard to the total. But it is also partly because the "debt merchants" do not make clear the true cost of borrowing. This cost is substantial.

On a new car, depending on the dealer's "rate chart," finance charges run 11 to 17 percent per year. On used cars they are 24 to 34 percent. A new car bought on a typical 36-month contract and financed by an independent finance company will cost an extra $600 for total finance and insurance charges, running from one-fifth to one-quarter of the cash price. An estimated $2 billion a year is paid out in finance and insurance charges for new cars bought on time.

The typical revolving credit plan charges 18 percent per year; bank check credit costs from 18 to 24 percent per year; legitimate small loan companies can charge up to 36 percent per year.

California's Consumer Counsel Mrs. Helen Nelson has translated some typical finance charges into their equivalents in real goods. Thus, the buyer of a refrigerator for $329.95, who pays $10 down and finances the balance over 24 months, pays $66 in finance charges—enough to buy 285 quarts of milk. A $400 finance charge on a three year contract for a $2,660 compact automobile would buy both a washing machine and a dryer.

The credit industry, Black shows, is reaping handsome profits from the sale of credit. There is every incentive to offer more and more credit and make more and more money. The sale of credit "has become an end in itself. In many instances more profit is derived from credit than from the goods and services being sold."

Today, for example, half the new car dealers' profits on car sales come from finance charges on installment credit. The department store "revolving credit" on which buyers are charged "a small service charge"—usually 1.5 percent per month—brought this enthusiastic comment from one store executive: "It's fantastic. Eighteen percent a year. Imagine it. We didn't expect they would all stay bought up, but if you want to know whether we like the plan, just ask us if we like money."

And a leading merchandiser of men's wear said that in recent years his firm "has earned as much money from service charges on credit accounts as we have

in our normal cash business. It's a source of income clothing merchants are foolish to ignore." The bank "instant money" check credit plans are apparently bringing in profits "at a rate that amazes even the most experienced debt merchants."

Average and upper income families are the chief contributors to the profits of the credit industry. In 1959 more than 75 percent of all personal debt was owed by consumers with incomes of $4,000 and above. Their easy payments are the mainstay of the easy profits of the respectable debt merchants.

The very lowest income families, on the other hand, are the chief contributors to the profits of the disreputable debt "chiselers" who operate in the low rent districts of large cities. They use the "dollar down, dollar a week" plan. On this plan, a $2 shower curtain ends up costing $20 at a dollar a week for 20 weeks. "Easy payments" inflate a $7 bedspread to a $30 outlay.

In one slum community in New York City, people are making time payments on overpriced furniture they have already had to throw away. The cheap refrigerators, shoddy TV sets and jerry-built furniture fill an open dirt lot. During the Christmas and Easter season, the New York City Department of Sanitation sends around a truck to remove the junk and clear the ground.

One survey cited by Black showed two-thirds of the users of installment credit did not know the amount of the carrying charges or the interest rate on their most recent installment purchases. Another survey showed over 30 percent of consumers, regardless of income or education level, believe installment credit to be 6 percent a year or less. Borrowers widely confuse finance charge rates, such as "$6 per $100" with "interest rates." The true interest rate for $6 per $100 would be over 11 percent per year. They have no idea that "1.5 percent per month" on a revolving credit account means a true 18 percent per year. Or that a bank, when it quotes 7 percent a year discount means 14 percent per year.

Senator Paul H. Douglas' "truth-in-lending" bill would require lenders to state in plain terms the cost of borrowing money. All lenders would be required to state the total finance charges on each contract and the rate of the finance charge in terms of true annual interest. The bill is no cure for debt addicts nor does it attempt to substitute anyone's judgment for that of the borrower. But it will enable the individual to find his way around the "credit wonderland" and decide for himself what is in his own best interest.

"The most disturbing aspect of debt merchandizing," writes Black, "is that it is generally based on deception. The deception varies in degree and amount but it occurs almost every time someone is sold debt. Moreover, what really jars the moral nerve is that much of this deception is now considered normal behavior by most of the nation's respected and respectable business institutions."

—Anne Draper

—*"Buy Now, Pay Later,"* by Hillel Black. William Morrow & Co., New York, 1961, 231 pp., $3.95.

NEW PAMPHLETS

Automation.

AFL-CIO Publication No. 124. AFL-CIO Pamphlet Division. 6 pp. Single copies free; up to 100 copies, three cents per copy; $2.50 per 100.

Automation and its impact are discussed with two aims in mind: "to make clear the gravity of the problem" and "to indicate that it is not insoluble." Automation is examined in terms of the nature of the equipment; the change in workskills required and the change in the job outlook. Proposals for dealing with the new technology are outlined briefly.

20 Ideas for Steward Meetings.

AFL-CIO Publication No. 120. AFL-CIO Pamphlet Division. 4 pp. Single copies free.

What kind of a program will get the shop stewards out to meetings, help him resolve shop problems and build a strong local union? This eternal problem receives attention in this series of ideas designed to help plan interesting, useful training sessions for shop stewards. This illustrated leaflet is based on material originally prepared by the Machinists' Education Department.

Pills, Prescriptions and Profits.

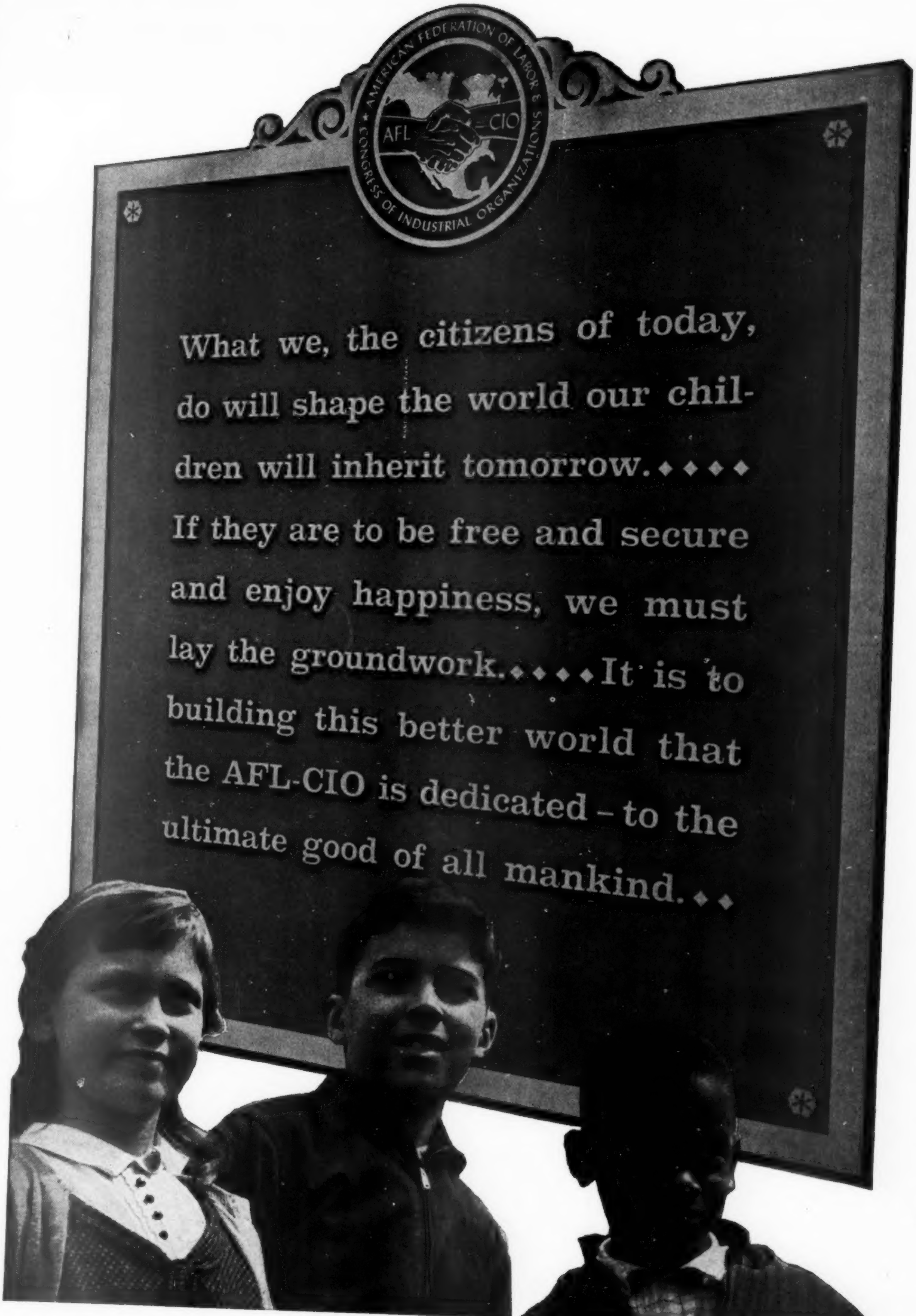
Industrial Union Department, AFL-CIO. Publication No. 41. 23 pp. Single copies free.

The sordid story of how the American public is shortchanged through misleading promotion, often useless drugs and outrageous profit margins. Drug manufacturing is big business employing high pressure salesmen, pushing brand names, wining and dining doctors, promoting "new" products (88 percent of which are old products under new labels) with claims of miraculous superiority. It argues the inability of the Food and Drug Administration to protect the public points up the need for federal legislation as proposed by Senator Estes Kefauver, who chaired hearings exposing these practices.

A Study of the Factors Influencing Industrial Plant Location in Indiana Since 1957.

By Forbes Marketing Research, Inc. 23 pp. 50 cents. National Council for Industrial Peace, 605 Albee Bldg., Washington 5, D. C.

This comprehensive study of the many variables involved in the attraction of new industry or expansion of current plants concludes that the so-called "right-to-work" law enacted in 1957 has had a negligible effect on industrial development in Indiana. The study reveals markets as the outstanding factor in selection of plant location and expansion, with labor supply playing the second most important role. The importance rating of so-called "right-to-work" legislation as a location factor ranks 6.6 percent as compared with 70.6 percent for markets and 67.8 percent for the general factor of labor.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What we, the citizens of today, do will shape the world our children will inherit tomorrow. ◆◆◆◆ If they are to be free and secure and enjoy happiness, we must lay the groundwork. ◆◆◆◆ It is to building this better world that the AFL-CIO is dedicated – to the ultimate good of all mankind. ◆◆